Canadians and Their Economy

Today, Yesterday and Tomorrow

Barry Lesser
Bruce Roald

Series Editor: John N. Grant

Lighthouse Publications
Halifax, Nova Scotia
1982

Copyright 1982 The Atlantic Instutute of Education, 5244 South Street Halifax, Nova Scotia B3J 1A4.
All rights reserved. No part of this publication may be reproduced or stored in any form without permission from the publisher. Passages may be quoted for review purposes.

The *Canadians and Their Environment Series* is a joint project of the Canada Studies Foundation and the Atlantic Institute of Education.

Lighthouse Books are Canadian materials published by the Atlantic Institute of Education and intended for use by practicing educators in enhancing understanding of Canada.

The Canadian Economy — Yesterday, Today and Tomorrow

ISBN 0-920518-15-X Printed in Nova Scotia

Contents

Foreword I

Introduction IX

Chapter 1 The Economy of Today 1

Chapter 2 The Canadian Economy — Yesterday 28

Chapter 3 The Canadian Economy — Tomorrow 46

Teachers' Notes 67

Bibliography 81

Foreword

A.B. Hodgetts in *What Culture? What Heritage?: A Study of Civic Education in Canada*, (Toronto: OISE, 1968), (the Report of the National History Project) presented a "strong indictment" of the way Canadian studies were being taught in the public schools.[1] It stressed the message that "Canadian studies in our elementary and secondary schools have stagnated while many other subjects seem to have surged forward".[2] The concern generated by this report led directly to the establishment of the Canada Studies Foundation (CSF) incorporated in 1970 as an independent, non-profit organization mandated "to find ways of improving the quality of Canadian studies in the elementary and secondary schools of all provinces".[3] From its inception the CSF has insisted that Canadians need a greater degree of understanding of our society, and that knowledge is a necessary prerequisite for understanding. Since 1970, the Foundation has been involved in experimental teacher-centred curriculum development of a pan-Canadian nature.

No other organization has involved so many teachers in cooperative curriculum development endeavours from such a wide-spread geographical area. To be more specific: In its first phase (1970-75), the Foundation completed curriculum projects involving more than 700 people from every level of education and over 8,500 students from all provinces; in its second phase (1975-78), the CSF completed ten additional projects involving 400 educators in all provinces, the Yukon and the Northwest Territories. By February 1981, 51 volumes of learning materials developed as a result of these Foundation-sponsored projects had been commercially published and more than 30 volumes of learning materials were available from non-commercial sources.

As well as being involved in curriculum development activities, the Canada Studies Foundation has developed a bilingual information service used by more than 6,000 persons. It has maintained a fully bicultural operation, providing services to francophone teachers and education officials in ten provinces. It has organized or provided resource personnel for local, provincial and national workshops involving more than 5,500

persons ... Throughout these activities, the Foundation has been consistent in its objective of encouraging mutual understanding and respect among the diverse elements of Canada.[4]

After ten years of experience the Foundation produced a comprehensive rationale for Canada Studies programs. This rationale, authored by Paul Gallagher and A.B. Hodgetts and entitled *Teaching Canada for the '80s* (O.I.S.E. 1978) concluded that while "significant improvements in studies of Canada have taken place over the past ten years"[5] the development of Canadian studies had reached a plateau. It stresses that:

> The need now is for something more than merely continuing expanding what is already being done. The need now is for a cooperative and systematic nation-wide effort to improve the quality of studies of Canada in Canadian schools. The development of ... a common framework of studies consistently "pan"-Canadian in objective and designed in truly "pan"-Canadian fashion, touching all curriculum areas and spanning the full range of school years in a coordinated manner, is now the pressing need.[6]

Elsewhere the authors explain that:

> In our work with the CSF, we have found that the normal social process by which our young people develop their values, attitudes, and standards of judgment through strong regional and ethnic forces is not yet balanced in formal education by sufficient opportunities to study, to know about, and to understand Canada as a whole. We believe that *Canada* studies – as distinct from all other more restricted *Canadian* studies – should deal with our society as a totality, in country-wide, interlocking perspectives that can be shared by all Canadians wherever they may live. Otherwise, as the National History Project and many others have emphasized, this area of education will continue to be another divisive force in our society. The Canadian studies movement, in all its variety of techniques and products, should be sustained and nourished. What is needed now, however, is a common framework of ideas that educators in all provinces should use in the development of Canada Studies that will be country-wide in perspectives and objectives. The traditional Canadian practice of different groups and jurisdictions concurrently and independently searching for answers to specific provincial or regional concerns needs to be supplemented by an interprovincial cooperative attack on problems shared by all groups and jurisdictions. The luxury of each going

off in his own direction can no longer be afforded, financially or educationally, in Canada.

This book is exclusively addressed to the question, "What should young Canadians *understand* about their own country?"[7]

Teaching Canada for the '80s is the position statement of the Canada Studies Foundation and all development activities of the Foundation are related to the broad curriculum outline it contains. *Teaching Canada for the '80s* breaks Canada Studies into four separate but interrelated components. These four broad themes are: (1) the Canadian Environment; (2) the Canadian Political System; (3) the Canadian Economic System; and (4) Canadian Public Issues. In order to create material designed to fulfill the objectives of the CSF and to reflect its pan-Canadian thrust a number of regional centres were established, each charged with the responsibility of responding to one of the components. The Atlantic Institute of Education accepted the task of co-ordinating the development of materials that would deal with the theme "the Canadian Environment".

The term "environment" is used in *Teaching Canada for the '80s* "to describe the totality of the basic features of Canada, the interactions between them and their far-reaching effects".[8] This is a much broader usage than any meaning it might have in biology or ecology and includes the entire Canadian milieu, "the composite of the physical, social and cultural characteristics of Canada, viewed as a single entity".[9]

The "basic features of Canada" which create its environment are those characteristics which collectively make Canada a unique country. It should be recognized that individually these basic features are not unique to Canada but are shared by many political communities. At the same time, it must be realized

> ... that no other political community has the same composite of basic features and the same relationships among them. And that is what makes Canada a unique political community just as all other political communities have a unique composite of basic features and particular relationships among them.[10]

The most important basic features that relate to Canada include:

(1) Canada is a northern, vast, and regionally divided country.
(2) Canada has a broad natural resource base composed of both renewable and non-renewable resources.
(3) Canada is an industrial, technological, and urbanized society.
(4) Canada is a culturally diverse, multi-ethnic country with two historically predominant linguistic and cultural groups.

(5) Canada is exposed to a multitude of external economic, political, and cultural influences.[11]

While the authors point out that these characteristics are not meant to be subject to a deterministic interpretation they do suggest that these characteristics provide "strong constraints within which policy formation, leadership, and authority must be exercised and public opinion formed in Canada".[12]

The set of materials published under the series title *Aspects of the Canadian Environment* deals directly with the five basic features which characterize the Canadian environment. Each basic feature has been developed to provide teachers and interested readers with sufficient background information to create a working base of knowledge upon which to build their understanding of the country. It should lead to an understanding

> ... that the basic features are the major sources of diversity in Canada; that they are strong factors in the formation of public opinion and the differences in viewpoint on public issues in various parts of the country; that they generate most of the problems of continuing concern to Canadians and cause social tension; and that they substantially influence the structure and functioning of Canada's political and economic systems. All other Canada Studies should be approached with the background knowledge provided by a careful analysis of the basic features of this country.[13]

There are thus five sections to this series, each of which includes a major paper as well as a set of "notes for teachers" dealing with the pedagogical aspects of the material. The five sections are:

(1) "Canada: A Land of Physical Diversity" by Doreen M. Tomkins, and (1a) Teachers' Notes by the author;
(2) "Canada's Natural Resources and their Use" by Maurice Mandale, and (2a) Teachers' Notes by Marcia Armstrong;
(3) "Canadians and their Economy: Today, Yesterday, and Tomorrow" by Barry Lesser and Bruce Roald, and (3a) Teachers' Notes by the authors;
(4) "Canada's Peoples" by Anthony Burton, and (4a) Teachers' Notes by Gordon Watson; and
(5) "Canada and the Wider World" by Colin Howell and (5a) Teachers' Notes by Glenda Redden.

These follow closely the five basic features given above and provide pertinent background information and a bibliography for further reading. The notes for teachers offer ideas for classroom presentation of

the material and also contain suggestions on other sources of information. Care has been taken that each is as up to date as possible.

A careful reading of the material will demonstrate its usefullness to teachers. It will also be equally obvious that there are a number of ways that it can be used. Some readers might be interested in only one or two of the aspects of these studies. These will find that each is a separate unit (insofar as that is possible) and can be read (although perhaps incompletely understood) without dealing with the other areas. These readers will find that the "Teachers' Notes" tend to deal with each topic individually. It must be stressed, however, that, even if each unit is taught separately, or if only one of the five is used at all, one should

> ... emphasize the interrelationships of these features. Out of such a study should come a synthesis: a view of the nature of Canadian society seen as a whole, the consequence of a composite of the basic features of the Canadian environment and their interaction. The broad objective throughout the study should be to help students develop an overview of the character of Canadian society, the forces that have shaped it, and the institutions that have sustained it.[14]

Readers will discern that there are two important elements within the discussion of the Canadian environment. The first includes the basic features and a consideration of how these are interrelated, while the second emphasizes the consequences of the above on Canadian society. The consideration of interaction of geography, history, economics, resources, and people should reveal much about what makes Canada unique and distinctive.

Relationships among the basic features can be developed as each individual unit is covered. That Canada is both physically enormous and diversified is obvious after studying Doreen Tomkins' section. A similar reading of Anthony Burton's study of the people of Canada reveals that the people who occupy the land are equally diverse in their origins and cultural backgrounds. The reaction of these peoples to the land and their use of the natural resources, as described by Maurice Mandale, has a direct relationship to the economic development of Canada as discussed by Lesser and Roald. But, as is emphasized in the economic considerations, few countries are allowed to develop uninfluenced by their neighbours. Therefore, Howell's work examining Canada's place in the world helps to further explain the fact of Canada. While history may not have a great effect on the physical environment it has had enormous influence on what physical environment is to be included in any political community and by whom and how the physical environment is to be used. There can be no question of the impact all of these features have had on the cultural environment. While it is unnecessary to further elaborate these initial relationships it is neces-

sary that they be explained. It would further be useful to students understanding to analyze current issues which illustrate a whole variety of relationships. One such issue might be the building of a pipeline from the far north, as presented in *Teaching Canada for the '80s*.[15] Another might be transcontinental rail transportation or the development of our offshore oil reserves. Such issues should be examined in such a way so that students will not only have the opportunity to understand the debate itself but to develop relationship building skills as well.

Consider the possibilities for learning contained in the examination of the issue of the movement of electrical power from Labrador through the Province of Quebec to national and international markets. This is a controversy that can, and for understanding should, be examined under the heading of the "five basic features". Any discussion of this issue would immediately assert the fact of the northerness of the source of power on the Churchill River. This would draw attention to the fact that much of Canada's natural resource storehouse is considerably north of most of our major population centres. This raises the question of protection of the delicate ecology of the North, the safeguarding of the position of northern people and the demands of the rest of the country. The energy supply of Labrador is electrical power and while the river runs it will be produced. This, however, centres attention on the issue of the use of renewable and non-renewable resources, and also on the fact that Canadians, again partly due to our size and our northern location, are the largest users of energy in the world.

The difficulty of transporting the electrical power of the Churchill is not only due to climate, distance, topography, and ecological considerations, but also provides an example of regional and provincial division within Canada. The Province of Newfoundland and Labrador has long demanded that they be allowed to move the power across the Province of Quebec without dealing with the Hydro Quebec middleman. This has not yet been possible. Newfoundland insists that if interprovincial pipelines can be constructed so can an interprovincial hydroline. The Government of Canada has been caught in the middle. In the balance lies national needs, provincial rights, federal-provincial relations, financial considerations and perhaps the historic claim of Labrador by Quebec. This study would also consider the need for energy far from its source revealing Canada as a highly developed, technological, industrial and urbanized state. It would also reveal that much of the Labrador power is destined to markets in the United States. This fact opens the subject to the examination of our peculiar relationship to our only continental neighbour. This examination would expose the fragility of our cultural and national existence and the inherent dangers of "sleeping with an elephant".

Any classroom teacher would be able to develop these, and other, relationships in any number of similar topics. What is stressed here is that such relationships must be drawn and that students must be given the opportunity to acquire the prerequisite background information

and the necessary skills to assist their own understanding of this country as well as introduce students to some of the complexities of making major decisions in Canada.

This example and those contained in *Teaching Canada for the '80s* demonstrates the process by which a more complete understanding of an issue can be developed. Again, the various parts of this series will greatly assist in bringing about this understanding as they supply the prerequisite background information.

If studying the basic features and the interrelationship among them helps answer the question "Why?" then examination of the consequences these hold for Canadian society should address the question "So What?". Just as the examination of causes allowed students the opportunities to analyze an issue – to break it down into its component parts and study each separately – the consideration of consequences will give them the opportunity to synthesize the findings – to rebuild the evidence in response to a particular problem. This skill may lead them to discover that while all Canadians have many of the same basic desires they also have many, and sometimes conflicting, loyalties. Regionalism, spawned by geography and reinforced by history, economic disparity due to an uneven distribution of natural resources and a variety of economic opportunities, and a richly diverse population often associated with one region, or one part of a region, have all helped to create loyalties that have threatened the unity of Canada itself. The challenge for Canada is to balance diversity and unity. Hopefully, some students will

> ... begin to recognize that, if Canada is to respond to the legitimate and diverse aspirations of all its members, some level of consensus among Canadians is necessary to balance the normal frictions among groups in Canada.[16]

There is no one single "correct" story of Canada, just as there is no one "correct" Canadian. The interpretation of the development of one region cannot represent the story of the development of the nation. Each region and sub-region and each of Canada's peoples has their own story. Unity can, however, be found in the basic features, their interrelationships and their consequences. Their study will help inform students of what Canada is and why it developed as it did. This background will provide students with the setting for more sophisticated studies of Canada and perhaps help respond to the charge that Canadian schools are not sufficiently Canadian.

As co-ordinating editor of this series of new works expressly developed for it, I would like to express my gratitude to the authors who worked so diligently to marry their academic interests and expertise with the curriculum demands of *Teaching Canada for the '80s* and the perceived needs of junior-high school teachers. Thanks too are extended to the many reviewers, too often forgotten, who examined these works

and subjected them to a most rigorous scrutiny and in no small way will be responsible for any success they may enjoy. The encouragement, support, and leadership the project received from the Atlantic Institute of Education and the Canada Studies Foundation in the persons of Dr. William Hamilton, Dr. Andrew Hughes and Dr. Robert Anderson has been much appreciated. Special thanks are also extended to Beverly Quillan, Joanne Eisener and John Knight of the Atlantic Institute of Education.

John N. Grant
Series Editor
Centre for Canada Studies
Atlantic Institute of Education
Halifax, Nova Scotia

FOOTNOTES

1. A.B. Hodgetts, *What Culture? What Heritage?: A Study of Civic Education in Canada*. (Toronto, OISE, 1968), p.5.
2. *Ibid*., p. 7.
3. The Canada Studies Foundation, *The Work of the Canada Studies Foundation*, (Unpublished Document, 1981), p.1.
4. *Ibid*., pp. 1-2.
5. A.B. Hodgetts and Paul Gallagher, *Teaching Canada for the '80s*, (Toronto: OISE, 1978), p. v.
6. *Ibid*., p. vi.
7. *Ibid*., p. 2.
8. *Ibid*., p. 13.
9. *Ibid*., p. 37.
10. *Ibid*., p. 10.
11. *Ibid*., p. 12.
12. *Ibid*., p. 13.
13. *Ibid*., p. 12.
14. *Ibid*., p. 37.
15. *Ibid*., p. 47-48.
16. *Ibid*., p. 50.

Introduction

Economics pervades so much of the determination of Canadian lifestyles that its impact is hard to overestimate. This fact was clearly recognized by A. B. Hodgetts and Paul Gallagher in *Teaching Canada for the '80s*, and it is the reason why this monograph has been written Most if not all of the major issues, questions, and concerns which Canadians have about their lifestyles or about their country have significant economic dimensions, constraints or origins. This is as true for the past as it will be true for the future. Introducing students to the Canadian economy as they engage in other studies of the Canadian environment is, therefore, essential.

This monograph is intended to provide an introduction to Canada's economy and its impact on the lifestyles of Canadians. The monograph is a portrait of the economy, an overview; it is neither a detailed account nor a thorough analysis of the economy. It is intended to be a starting point for curriculum planning about the Canadian economy as a component of the total environment in which Canadians live and work. The monograph is written for teachers whose knowledge of the economy is largely derived from their everyday life as citizens. Those teachers whose knowledge about the economy has been enhanced by formal studies in economics should, however, find the monograph of use.

The monograph is divided into three chapters, each of which utilizes a different perspective of time. The first chapter is devoted to the economy today, 1982. A special focus is given to jobs that Canadians hold, on the assumption that all students are able to visualize the importance of a job in their own lives. A study of jobs provides a convenient starting point in examining how the economy functions.

The second chapter is historical. It traces in broad strokes the development of the economy. This chapter offers information which teachers might find helpful in leading their students to understand the continuity of present economic questions to those that concerned previous generations.

The final chapter is an analysis of what Canada's economy may be like ten to twenty years from now. This chapter is an attempt to pro-

ject how the economy will influence the lifestyles of Canadians in the future, and to identify the issues that are likely to become significant. Projecting a future in this manner is necessarily uncertain. No one can be confident about projection. Nevertheless, our economic future is important not only to economists but to all Canadians, including junior high school students. Today's students have a vital interest in knowing where our society might be headed. The perspective of the future is one of the frames of reference for making decisions about the economic issues that concern us today. The decisions we make today will shape the economy of tomorrow.

Though providing an overview of the impact of the economy on the Canadian environment is the primary purpose of the monograph, opportunities may also be created for students to extend their knowledge about economics as a discipline. As the reader will appreciate, it is impossible to describe an economy or to provide any economic analysis at all without utilizing the categories and concepts of economics. While these categories and concepts have not been emphasized, the use of many of these terms and ideas is necessary and unavoidable. Some teachers might wish to make a virtue out of this unavoidable necessity and deliberately attempt to introduce students to some of the language of economics and to the discipline.

Moreover, opportunities are created in the monograph for teachers to introduce students to economic analysis. Economics is not an exact science. Economics, in common with most disciplines, has its limitations in providing exact guidance about the action a society should take with respect to issues and concerns in the economy. By following the examples set out in the monograph, students should come to appreciate the complexities of economic issues and to realize that economics is only one source of information for decisions. This will be clear in the sections of the monograph which take up topics such as foreign investment in Canada, the role of tariffs, the responsibilities of government, and other important questions. In each case, the subjective dimension to the question is evident after students are provided the essential economic information.

There are numerous themes around which teachers may choose to develop units of study which emerge from reading the monograph. Some of these are listed below as illustrations. Some teachers might find these useful as reference points in the study of the significance of the economy as a component of the Canadian enviroment.

1. There is continuity as well as change in the Canadian economy. The economic issues which are significant in the environment today have evolved from decisions made about economic

matters in the past. The economic issues which will be important in the future are rooted in present experience.

2. The economic component of the Canadian environment over time has become more complex. Economic issues become more and more complex because of increased interactions and linkages among the sectors of the economy and among the geographical regions of the country.

3. The economy is an important factor in the development of Canada as a political community. Economic issues are closely associated with questions of political power, independence, and political destiny.

4. The economy is a major determinant of the lifestyle of Canadians. Economic issues pervade all aspects of quality of lifestyle from earning a living to leisure and recreation, to future security and wellbeing.

5. The economic components of the Canadian environment are marked by variety and sharp contrasts. Canada's economy has been shaped by geography, resources, and history. This variety is a source of strength; it is also a source of considerable division and tension among Canadians.

6. An important feature of Canada's economy is that it does not exist in isolation, but rather is interdependent with many other nations. The lifestyle of Canadians is affected by, and has implications for, developments elsewhere in the world.

The Economy of Today 1

In viewing the Canadian economy from a distance one cannot help but be struck by the many contrasts it presents. One can say, for example, that Canada is highly industrialized yet observe how very important the primary industries such as agriculture, farming, fishing and forestry really are. One can record the activities of giant corporations and witness that there are many small businesses existing and thriving amongst the giants. One can see the pervasive influence of government in the economy, yet notice how free enterprise seems to provide the main principles by which the economy operates.

Canada is vast, and yet the majority of the population live in urban areas within three hundred miles of the Canada-United States border. It is an economy to serve Canadians, and yet many industries are owned largely by non-Canadians. The economy provides Canadians with enviable richness in the eyes of many other people of the world, yet many Canadians live in relative poverty and there are many inequalities evident between regions of the country. If two words can capture an impression of a portrait of Canada's economy, they would be contrast and variety.

The Canadian economy of 1982 has been shaped by geography, natural resources, and history. It is an economy shaped very decidedly by government. Most of all, it is an economy which has been, and is, shaped by its people.

Jobs in the Canadian Economy

Canadians earn their living in many ways – in construction, in factories, in offices, on the land, on the seas, and underground. Indeed, Canadians earn their living in almost every type of work imaginable. Some enjoy high-paying prestigious jobs; others work at less pay or with less prestige. Still others do not work at all. An examination of the work-life of Canadians is an important element in understanding the overall economy and the character of the society.

It is important to understand from the beginning of any discussion of jobs in Canada that **all jobs are not the same.** The work of a fisher-

man is very different from that of a factory worker or an office worker. A wheat farmer in Saskatchewan has a much different work-life than a fruit grower in southern Ontario or a potato farmer in Prince Edward Island. Different jobs involve different tasks, require different skills and training, and are located in different places.

Just as all jobs are not the same, **all workers are not the same.** Canadian workers have different aptitudes, abilities, interests, and training, and quite different attitudes as to the type of work they wish to do and where in Canada they wish to live.

Many factors help decide the number of jobs and the types of jobs available at any particular time. How much employers must pay their workers, and the type of business in which they are involved are all important factors in determining the number of workers which employers wish to hire. Likewise, the number of people who make themselves available for work depends on their need for income, the skills they possess, past job experience, and where they choose to live. The desires of employers and employees will not necessarily be in agreement. The number of workers seeking jobs may far exceed the number of workers being sought and *vice versa.* The number of people who have particular skills may be fewer than the number of available positions calling for these skills and *vice versa.* The number of people seeking work (overall or with particular skills) in one location or part of the country may be greater than the number of jobs available in that place, while just the reverse may be true elsewhere in the country. While one industry may wish to expand its production of goods and services (for example, oil producers) another industry may be producing something which is no longer as strongly desired by consumers (for example, large automobiles). Thus one industry may be seeking to hire workers while another industry may be laying off employees.

Many workers in Canada today are unable to find jobs. Canada's rate of unemployment during the 1970's has been consistently high compared to the 1950's and 1960's. In some instances, workers may be voluntarily unemployed, freely choosing not to work at existing levels of pay. But most of Canada's unemployed people are out of work involuntarily. One reason for this might simply be that there are no jobs available. Another reason might be that the required skills, training and location of available jobs do not match the skills, training or location of the unemployed.

Many Canadians are classified as **chronically unemployed.** This means that they either do not have the required abilities, skills, and training, or that the abilities, skills, and training they do have are of no value in the present job market. They have been out of work for so long that they are no longer readily suited for holding a job. Often, the

chronically unemployed give up trying to find jobs, in which case they will eventually not be counted in the unemployment statistics gathered by the government. This is because only unemployed individuals who are able to work and who are **actively** seeking work are included in the unemployment statistics. Thus, the problem of unemployment is probably **understated** by the official statistics.

Unemployment is a serious problem for any country which experiences it. Not only does unemployment mean lost output, i.e., less production than is possible if all resources are fully employed, but it may also have important effects on individuals and on society. Widespread unemployment can, and does, lead to a weakening of family structure, to an increase in crime rates, to a loss of self-esteem amongst the unemployed and, potentially, to social and political unrest.

Where people choose to live in Canada is very often determined by the jobs they hold or by their desire to find jobs. National corporations, such as banks, routinely transfer their employees from one end of the country to the other. Since Confederation, the Maritime provinces have almost continuously lost residents to other provinces, particularly the industrialized region of Quebec and Ontario, because of relatively better job opportunities outside the Maritimes. More recently, workers from across Canada have been moving to Alberta, as the economy of Alberta has prospered from the development of oil and natural gas resources.

Just as the choice of which part of the country to live in may be based on job opportunities, the choice of where Canadians live within a particular district may be influenced by their jobs. The growth of cities in Canada over the last century has been very much determined by people seeking to live close to their jobs. Most employment growth during this period has been in the manufacturing and service sector of the economy. These activities are typically located in urban areas. Apartment building developments have in turn characterized Canadian cities, for they can house relatively large numbers of people on relatively small land areas. Similarly, the movement of people nearer to cities in response to job opportunities has led to the development or emergence of suburban living areas – communities intended mainly for residential purposes situated on the edge of large urban centres. This in turn has encouraged many environmental changes in the lifestyles of Canadians, such as suburban shopping centre developments, more highways and daily commuting to work.

Jobs affect lifestyles much more than merely influencing where people live. The jobs people aspire to often influence the education they obtain. Individuals may choose to attend vocational school rather than university or to study business administration programmes rather

than English literature because of the availability of jobs or their job preferences. During the 1970's, as unemployment grew worse, particularly among the "under 25" group in the labour force, there was a definite swing by young people emerging from high school toward a career-oriented post-secondary education.

Because of much higher levels of income per person, along with the growth of job opportunities in urban centres and the increased concentration of people in cities, the 1960's and 1970's saw a great upsurge in the entertainment industry – both "home" entertainment (television, records, books, etc.) and "non-home" entertainment (movies, restaurants, nightclubs, sporting events, etc.). There is an increasing focus by Canadians on "leisure-time" activities, partly as a result of many of the other changes noted above. The increased mobility of workers, life in large apartment complexes, and other factors, have brought a decrease in Canadians' sense of local community, and have diminished family ties. Very importantly, the rising income levels of Canadians have led to a consequent increase in the tendency to look elsewhere than the local community and family for entertainment.

A very important change which has occurred in the job market in recent years has been the pronounced increase in the number of women participating in the labour market. This change is partly the result of changing social values. It is no longer automatically assumed that a woman's place is in the home, raising and taking care of her family. The change also reflects today's lifestyles, which have given many women a great deal more leisure time than previously. Significantly the increase of the number of women in the labour market is related to economic circumstances. Many families have found that two income-earners are required in order to maintain a desired standard and style of living, including owning a home.

Despite the growing number of women in the job market, women continue to face a great deal of discrimination. For example, there remains a tendency to stereotype women workers, to perceive them as being suited only to jobs as secretaries, nurses, and teachers. Women are often regarded as being ill-suited to jobs as managers, executives, or jobs involving manual labour. The level of pay women workers receive is generally lower than that of male workers where the job carried out is identical in each case. There is often considerable resentment by male co-workers toward a woman who gets promoted to a more senior position. Many men resent "taking orders" from a female manager.

The increase in the labour force participation of women which has already occurred, and which is likely to continue in the 1980's, has affected the lifestyles of Canadians. The increased use of day-care facilities, more equal sharing of household responsibilities by husband and

wife, and declining birth-rates as more women place career goals ahead of raising a family, are just a few examples of this influence.

Despite the concern about inflation which characterized the 1970's and which will remain important into the 1980's, it is a fact that Canadians, **on average**, have seen their incomes rise in real terms. This means that the average income in 1982 can buy more in goods and services than the average income in 1970 could. Family income is one of the single most important determinants of lifestyles. Canada enjoys one of the highest standards of living in the world. Its citizens live in better housing, receive more education and better health care, buy more clothes, cars, and appliances, and, in general, consume more of most goods and services than people in most other countries of the world.

It is the jobs which Canadians have available to them and the incomes which these jobs provide which permit this standard of living. It is a way of life and a standard of living which has its problems, however. Some of these we will come back to discuss at a later point. For the moment we will go on to gain a better picture of some of the more important parts of the economy which generate the jobs Canadians hold.

The Resource Sector

Traditionally, Canada has been regarded as a natural-resource based economy. Certainly, it is a natural-resource rich country. Historically, as we shall see in more detail in Chapter II, natural-resource production and exports have been an important, at times singularly important, source of growth in the Canadian economy.

While the natural-resource sector of the economy, in relative terms, is not as important today as it was a century or even a half-century ago, it remains significant. Farming is still one of the most important economic activities in Manitoba and Saskatchewan. Agriculture is important in other provinces as well: potatoes in Prince Edward Island and New Brunswick, fruit in British Columbia, Ontario and Nova Scotia, cattle ranching in the western provinces. Fishing is an important industry in the Atlantic provinces and British Columbia. Oil is very important to Alberta. Lumbering, and the mining of a wide variety of minerals (coal, iron, nickel, uranium, etc.) employ thousands of people across Canada.

Despite the obvious importance of primary products to the economy, there are many who argue that Canada has been too dependent on natural resource products and, more particularly, on the **export** of natural resource products. This argument asserts that Canada and

Canadians have, through time, developed a primary product mentality, believing that because primary product exports have historically been important, they must continue to be important. This attitude, it is argued, has prevented Canadians from actively pursuing options

Figure 1-1

In which provinces do Canadians live?

Population by Province (000's of persons)

	Oct. 1977	Oct. 1978	Oct. 1979	Oct. 1980
Newfoundland	566.1	571.1	577.4	582.9
Prince Edward Island	121.1	122.2	123.2	124.0
Nova Scotia	837.8	843.9	848.5	855.0
New Brunswick	690.6	697.6	703.5	708.7
Quebec	6276.6	6285.4	6302.3	6310.8
Ontario	8390.8	8466.3	8517.7	8587.3
Manitoba	1029.2	1030.7	1026.4	1028.0
Saskatchewan	941.7	950.1	960.0	973.0
Alberta	1917.6	1971.6	2030.8	2113.0
British Columbia	2506.4	2544.4	2587.2	2662.0
North-West Territories	43.7	43.4	43.2	43.0
Yukon	21.4	21.7	21.8	21.6
TOTAL	23343.0	23548.0	23742.0	24009.6

Source: *Canadian Statistical Review* January, 1981

involving the making and exporting of manufactured products. As a result, Canada continues to export raw materials to other countries, especially the United States, where they are processed into finished goods and then sold back. Thus Canada gives up relatively low-priced raw materials in return for relatively high-priced finished goods, losing out in the process on the jobs and income generated during the manufacturing stage of production.

This is a very appealing argument since Canada would probably be better off if the processing of its raw materials were undertaken within the country, creating jobs and income for Canadians.

It is also an argument which has problems. The mere possession of a raw material does not mean that a country is in a position to process that raw material and to sell the resulting finished goods at a price com-

petitive with other countries. The possibilities for doing this clearly depend on the costs to a Canadian company to produce the finished good compared to that of companies in other countries to which Canada would wish to sell. Also the possibilities depend on how badly other countries need the supply of Canadian raw material. This will primarily depend on the availability of substitutes for the Canadian raw material. If Canada stops exporting raw materials and instead tries to export processed goods, other countries will only buy the Canadian-made finished goods if they are unable to replace the lost supply of Canadian raw materials or to substitute other products which they make themselves.

Even if Canada can produce the finished goods cheaper than anyone else, other countries, if they can find substitutes for the Canadian

Figure 1-2

What industries do Canadians work in?

Labour Force by Industry
(as of January 1981)

	Persons (000's)
Goods Producing Industries	
Agriculture	430
Forestry	69
Fishing and trapping	25
Mines, quarries and oil wells	189
Manufacturing	2031
Construction	535
	3278
Service Producing Industries	
Transportation and communication	752
Electric Power, gas and water utilities	115
Trade	1832
Finance, insurance and real estate	583
Community, business, and personal service	3165
Public Administration	737
	7184

Source: Statistics Canada, *The Labour Force* January 1981

natural resources, may be quite likely to impose increased tariffs on the Canadian products in order to protect the existing companies and jobs they, themselves, already have in these industries. Canada could then end up losing its raw material exports in order to produce finished goods which it cannot sell. Instead of gaining jobs and income, the result could be a loss of jobs and income.

The possibility of successfully attempting to replace primary product exports with manufactured exports depends very much on the circumstances of the particular good involved. Specifically, it depends on the relative cost of production and the availability of substitutes. Thus no generalization can be made, rather a case by case evaluation is necessary. One important generalization does emerge, however. Things are not always what they seem to be. The fact that Canada does export primary products **does not necessarily** mean that we are making the best possible use of our resources.

Closely tied to this debate concerning the merits of a continuing role as a major supplier of raw materials to other countries, especially the United States, is the issue of foreign ownership of Canadian industry. The degree of foreign ownership or control in certain primary product industries in Canada is extremely high. At the beginning of the 1970's, for example, industries such as mining, oil and gas, coal mines, and petroleum products ranged from 69% to 100% foreign control.

Many individuals and groups opposed to foreign ownership of Canadian industry claim that one of the factors which prevents Canada from developing its capabilities to export manufactured goods is foreign ownership. Foreign ownership, it is argued, encourages a primary product export bias. Parent companies in the United States acquire control of Canadian raw materials through branch plants or subsidiaries **in order to maintain a supply of raw materials** for the parent company. In other words, foreign controlled companies operating in Canada are said to be discouraged by the parent company from engaging in any extensive processing of raw materials.

At this point, there is insufficient evidence to judge this contention, at least on any general basis. The question of foreign ownership is examined in more detail in the following section which describes the manufacturing sector.

The Manufacturing Sector

One of the motives of Confederation in 1867 was the desire of the British North American colonies to create a domestic manufacturing sector, to industrialize the economy. Today Canada has, in one sense

at least, achieved that goal. Generally regarded as one of the world's industrial nations, Canada today has a major manufacturing sector. Machinery, automobiles, airplane parts, electric appliances, clothing, food products, telephone equipment, newsprint, chemicals, construction materials, toys, jewelry, sporting goods, mops and brooms, and furniture are just a few examples of the wide range of products manufactured in Canada today.

The manner in which Canada has industrialized, however, has had its price. The Canadian manufacturing sector of today and of years past is generally regarded as consisting of small scale, high cost, inefficient producers. The share of production of the manufacturing sector which is exported is disproportionately small. The primary orientation of manufacturing continues, as it has been in the past, to be one of serving the domestic market.

In order to create a manufacturing sector as quickly as possible, the federal government, in 1879, imposed a protective tariff on manufactured goods imported into Canada. This tariff has never been removed. The result has been higher prices for Canadian consumers, protection for inefficient producers, and encouragement to foreign firms to establish branch plants or subsidiaries in Canada. Over time other measures to protect Canadian manufacturers have been added to the tariff. Import quotas for example have been introduced in industries such as textiles in order to further protect the existing Canadian companies.

It is important to appreciate that the Canadian market for goods and services is, by some standards, not a very large one. Canada has only approximately twenty-four million people. While that may seem large in total numbers, it is **relatively** small to support a broad-based manufacturing sector which has enough firms producing each product to provide effective competition among them. The United States by contrast, has a population to support its manufacturing companies which is ten times larger than Canada's.

The reason why market size is so important is that the technology of the twentieth century has made it economical, from the point of view of costs of production, for business firms to be large. In most manufacturing enterprises, today, 100,000 units of output cost less to make **per unit** than 1,000 units of output. But, obviously, in order for manufacturers to produce 100,000 units so as to take advantage of such cost reductions, they must be able to sell 100,000 units. If the number of buyers is small, no producer may be able to acquire a sufficiently large market share to justify expanding to the size which minimizes **per unit costs.**

The result in Canada is that the manufacturing sector consists of relatively small scale, high cost, inefficient producers, who are unable to compete without tariff protection against foreign companies. Of special concern, it means that many producers are unable or unwilling to sell outside the Canadian market, to export on a competitive basis.

One of the solutions to this problem might be to have even fewer producers of each good. In this fashion, each producer would have a larger share of total market sales and be better able to realize the economies afforded by size.

Figure 1-3

How are Canadians Employed?

Labour Force by Occupations

	Total (000's)	Men (000's)	Women (000's)
Managerial, administrative	880	657	223
Natural sciences	391	331	60
Social sciences	145	75	70
Religion	27	23	4
Teaching	482	206	275
Medicine and Health	475	113	362
Artistic and Recreational	161	100	61
Clerical	1883	415	1467
Sales	1099	664	435
Service	1394	643	751
Agriculture	431	334	96
Fishing, hunting, trapping	23	22	–
Forestry and logging	50	48	–
Mining and quarrying	66	65	–
Processing	361	292	70
Machining	261	246	15
Product fabricating, assembling, and repairing	955	732	223
Construction trades	571	564	7
Transport equipment operation	414	391	23
Materials handling	260	211	48
Other crafts and equipment operating	133	110	23
	10462	6242	4219

Source: Statistics Canada, *The Labour Force* January, 1981

There are two problems with this solution. First, while a reduction in the number of producers might permit greater economies in terms of unit production costs, it would at the same time create fewer competitive markets. Each of the few producers would be able to exercise more control or influence on the market, to the possible disadvantage of consumers. Higher prices and smaller production levels could be expected to result.

Second, and quite significantly, most manufacturing industries in Canada are already highly concentrated on the production side. Canada already has so few producers of most products that firms can, even now, control or influence the market to their own advantage. Thus while there might be an argument that the number of producers of various manufactured goods should be reduced to allow economies of size to be realized, there is simultaneously an argument that there are already too few firms. Canadian consumers are already disadvantaged because of a lack of effective competition in the marketplace.

The Canadian tariff system is one of the major factors which permits the Canadian manufacturing sector to continue in its present form. The effect of the protective tariff is to raise the price of foreign produced goods, the goods which Canada imports. This is important because it allows Canadian producers, despite their higher costs of production, to continue to sell in the domestic market. The increase in prices of imported goods which results from the tariff allows Canadian producers to charge higher prices without suffering a loss of sales. The tariff reduces the possibility that Canadian consumers will be able to substitute cheaper foreign goods in place of Canadian-produced goods. Thus, producers are able to make a profit despite their higher costs of production. Producers of protected goods thus benefit but consumers lose, as they are forced to pay higher prices for the goods they buy.

Not only has the tariff fostered a Canadian manufacturing sector which, on average, is small, high cost, and inefficient, and able to serve only the domestic market, but also the tariff is the single most important factor contributing to the presence of foreign ownership of Canadian manufacturing industry. Although the percentage of total manufacturng activities which are foreign-owned or controlled is smaller than in the natural resource sectors examined earlier, it is still above 50% on average. In certain individual manufacturing industries, such as automobiles, the percentage of foreign control may be greater than 95%.

Foreign ownership is fostered by the protective tariff because the tariff gives foreign firms a distinct advantage if they establish Canadian subsidiaries or branch plants rather than export goods to Canada. The reason for this is quite simple. By establishing a subsidiary, the foreign

company obtains the same benefits from the tariff protection as Canadian-owned firms. On the other hand, if the foreign company tries to export goods to Canada, it encounters the barrier created by the tariff. As we have noted, this raises the price at which foreign goods are sold in the Canadian market. Such an increase in price does not benefit

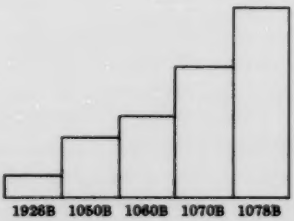
Figure 1-4

How has total economic activity in Canada grown since 1926?

Size of Economic Activity in Various Years Expressed in Dollar Values without Adjusting for Price Changes.

(Scale reflects dollar values for each year relative to 1978A)

Canadian Statistical Review (Statistics Canada, Jan. 1980) p. 8.



Size of Economic Activity in Various Years Expressed in Dollar Values After Adjusting for Price Changes (on basis of 1949 Prices)

(Scale reflects dollar values for each year relative to 1978A)

the producer. It is collected by the Canadian government as a tax. The producer, however, will see sales fall on account of the higher selling price.

Once the foreign firm is established in Canada, the bias of the manufacturing sector towards the domestic market as opposed to export markets may be reinforced. A subsidiary which wishes to export could well have to compete with its own parent company or another subsidiary of the same parent company which has been established in some other country.

Furthermore, there is some reason to believe that foreign investment attracts more foreign investment in the following manner. Suppose, for example, that there are ten producers of a product in the United States, all of whom initially export part of their output to Canada to sell in the Canadian market. Now suppose that one of the ten firms from the United States establishes a Canadian subsidiary. That subsidiary will now enjoy a competitive advantage over the other nine firms from the United States selling in Canada since it will receive the full benefits of the Canadian protective tariff. In such cases, it can be fully expected that at least some of the other nine firms from the United States will also establish Canadian based subsidiaries in order to prevent the first firm from taking away their share of the Canadian market.

The results will be that Canada will end up having as many, or almost as many, producers as the United States, sharing a market which is only one-tenth of the size. This reinforces the phenomenon we started out describing in this section – a Canadian manufacturing sector which is made up of small-scale, high-cost, inefficient producers.

Two points should be made as we conclude this discussion of the interaction of the manufacturing sector, the tariff, and foreign ownership. The first point is that the reader should not automatically conclude from this discussion that foreign ownership is all bad or even bad on balance. There are advantages and benefits which Canada has realized or might realize from foreign investment. These include a greater volume of funds for investment purposes than Canada by herself has been capable of generating; quicker and easier access to technology developed outside Canada; access to management skills offered by the parent company; and a better or more effective channelling of investment funds in Canada.

Some of these benefits are changing. By the late 1960's, most of the increase in activities of the United States owned or controlled firms in Canada was being financed from Canadian sources. Access to foreign technology is seen by many not as an advantage but as a disadvantage,

on the grounds that it has stifled the emergence of a native-Canadian technology and research and development sector.

There is simply no absolutely objective, definitive evidence on which to judge the conflicting claims or conflicting views which are offered on all of the points made here regarding foreign ownership. What is ultimately perhaps the most important point to realize is that the debate over foreign ownership is only in part an economic debate.

Foreign ownership in the Canadian economy, in particular United States ownership, has had a major influence on Canadian social and cultural values and on the lifestyles of many Canadians. Whether Canada should allow as much, or indeed any, foreign ownership of Canadian business firms is a question that technical economic arguments cannot answer. Ultimately, it is not so much an economic question as it is a question with economic consequences. It is a question which calls for Canadians to make value judgements about what constitutes or represents Canadian nationalism and identity, about the lifestyle they want, be it the American model or something else, and about the consequences they are prepared to accept in order to have their particular kind of Canada.

The second point which should be made concerns the tariff. The preceding discussion seems to clearly condemn the tariff policy which the government has pursued since 1879. However, this discussion has considered only the implications of Canada having introduced a tariff. Implicitly, this has involved a comparison with an economy without tariffs. There has been no comparison with an economy seeking to eliminate an existing tariff which has been in place for a hundred years or more.

The question of whether to impose a tariff is, at least in an immediate sense, quite different than the question of whether to eliminate a tariff. For Canada to dismantle its tariff system today would, in the long run, be advantageous. But, in the short run, there would be a major disruption and dislocation of workers and businessmen. Certain businesses would be forced into bankruptcy, certain workers would become unemployed, and certain communities could become ghost towns.

These transition problems can be eased by a careful selection of the order in which tariffs are to be lowered and of the timing by which the policy proceeds. The problems cannot, however, be eliminated entirely. Ultimately, workers would find new jobs, if not in their original communities, then somewhere else. New industries, equipped to compete in world markets, would emerge. Canadians, as a whole, would

Figure 1-5

What are Canada's leading mineral mining activities?

Production and Exports of
Major Canadian Metal and Nonmetal Minerals, 1977

	Production		Exports as a proportion of production
	Millions of dollars	Percentage of total	
			(Per cent)
Iron ore	1,360	19	78[1]
Nickel	1,197	17	82
Copper	1,196	17	75
Zinc	814	12	81
Asbestos	564	8	93
Potash	421	6	89[1]
Gold	268	4	—
Silver	210	3	114[2]
Lead	195	3	93
Molybdenum	147	2	99
Other metals and nonmetals	596	9	..
TOTAL	6,968	100	

.. not available
1 Applies to the year 1976
2 By drawing on stockpiles exports exceeded production in 1977

Source: Economic Council of Canada, *A Time for Reason*, Fifteenth Annual Review, 1978, p. 49.

be better off. But some would suffer during the transition and some would suffer permanently.

There are few decisions which governments make which benefit some without hurting others. Such painful decisions may be judged right on balance, but the implications for all should nonetheless be recognized.

Finally, by way of concluding this discussion of manufacturing, it should be noted that the 1960's and 1970's witnessed the emergence of a very strong concern about some of the consequences of industrialization, in regard to both the physical environment and the work environment, both on account of pollution caused by industrial activity and the rapid pace with which many of our non-renewable resources are being used up. There is a growing support for arguments which question the values of bigness which may promote a wasting of resources in the name of efficiency, and which question the merit of increased economic activity which can be achieved only at great environmental cost.

There is similarly some positive support for arguments to turn Canada into a "conserver society", where emphasis would be placed on

minimizing our use of resources rather than maximizing our production of goods and services. To proceed in such a direction would have profound influence on the lifestyle which Canadians presently pursue and enjoy. It is a direction which, as of 1982, the majority of Canadians would probably still not favour. As will be noted in Section III, however, this could change.

In terms of the work environment, there has been an increasing concern with what many people regard as the "dehumanizing" elements of the factory workplace, with its standardization of task and assembly-line production techniques. While not a new concern, both employees and employers alike have begun to focus more attention on this problem. The motives creating this concern by employers may not necessarily be altruistic. Creating an improved work environment, greater job satisfaction, and more pride in their work by factory workers could produce significant gains in worker productivity and lessen labour unrest. Whatever the motives, however, it can be anticipated that the 1980's will see increased attention focussed on improving the factory workplace.

The factory workplace of the 1980's is, of course, much improved over that of the 1880's and most of the period in between. The abuses of the early factory system (low wages, long hours, lack of safety standards, overcrowding, etc.) have largely been abolished. Indeed, the types of changes now talked about seem almost a luxury compared to the problems of working conditions in factories a century ago.

Much of the change in the focus of concern represents a shift from concern with the physical environment of the workplace to concern with the health, both mental and physical, of workers. Technological advances in the twentieth century have produced tremendous benefits for Canada and other countries in terms of increased output of goods. But, in the process, many workers have come to feel intimidated by machines as machines have threatened their jobs, or they have lost their sense of identification with their work. Technology and automation have, in many cases, removed the workers' sense of craftmanship. The worker perceives himself as running a machine but it is the machine which makes the product. Thus attention is being directed to finding new accommodations between workers and jobs in an effort to overcome these problems of alienation and dissatisfaction in the workplace.

The Service Sector

The service sector of the Canadian economy is made up of businesses and workers who provide services to Canadians – retail stores, automobile service centres, doctors, lawyers, banks, telephone com-

panies, plumbers and governments are some examples. The government sector will be discussed in detail in the section below.

The service sector has been the fastest growing segment of the economy for many years. Moreover, employment statistics for the service sector alone do not accurately portray the total picture. Many jobs in the manufacturing and primary product or resource sectors are in fact service sector type jobs. Secretaries, clerks, switchboard operators, advertising personnel, and other office staff employed by firms in the manufacturing and resource sectors all carry out jobs which produce services rather than physical goods. The number of these jobs has also been increasing for many years.

In many respects, it is a hallmark of a post-industrial society to have such a strong service sector. Typically, countries go through various general phases of economic development beginning with primary-product, rural-based societies, moving on to a stage of industrialization where a new urban-manufacturing base is created and finally progressing to a post-industrial phase where the service sector becomes the dominant source of new employment.

This is an extremely generalized statement of how countries develop over time, and individual countries vary considerably in the timing, duration, and magnitude of each of these phases. One of the striking facts about the Canadian case is that the statement does not apply very well, even allowing for such differences. In many ways, as we have seen, Canada is still closely tied to the primary-product stage. At the same time, many would argue that Canada has never successfully industrialized despite the creation of an industrial manufacturing sector.

The Canadian manufacturing sector, as we have seen, has yet to become competitive, in general, with manufacturing sectors in other countries. The manufacturing sector we have, as opposed to the one we might have had, has been "created" by the tariff. Major parts of Canada such as the Atlantic provinces have never developed any significant manufacturing base. Canada's "industrial heartland" is, in fact, a stretch of land 700 miles long and no more than 100 miles wide running from Windsor, Ontario to Quebec City (along the St. Lawrence). This area represents less than 2.5% of Canada's total land area.

Finally, as evident from the discussion of Section II, the service sector has always been important in Canada. Transportation services, commercial activities, including trading companies, banks, and other financial institutions, and communications services, to take some of the more important examples, were major industries in Canada before there was any substantive manufacturing activity at all.

The transportation sector, as just noted, has always been of major importance to the Canadian economy. Indeed, the desire to undertake construction of a railroad was one factor which prompted Confederation in 1867. A country as geographically vast as Canada with the very low population densities characteristic of huge stretches of this land area requires an advanced transportation and communications sector if the country is to be able to function in any sense as a national economy in which all parts of the country are able to participate.

This does not, of course, mean that every part of the country should expect to be able to produce any good or service. Rather, it implies that, with an adequate transportation system to permit an exchange of products between different parts of the country, each region can produce those things it is relatively best at producing and exchange these with other parts of the country, thus sharing in the national economy and the national prosperity.

The mere availability of a transportation network, though necessary, is not, however, a sufficient condition for this scenario to work out. A producer in Canada who seeks to sell his goods nationally must not only contend with the physical problems of distributing his goods for sale but must also contend with the cost of this distribution, that is, the price of transportation services.

This has been, and is, a particular problem for manufacturing firms located in the Maritimes and the Prairies. The population of these areas typically is not large enough to provide a viable base capable of sustaining the manufacturer. The success of a manufacturer located in such areas is thus highly dependent on sales outside the local area.

Ontario and Quebec, by contrast, do not have the same problem. These two provinces together contain slightly more than half of Canada's total population. The immediate market at hand is usually capable of sustaining the manufacturers located in these regions. Sales elsewhere in the country thus become a less important factor for survival of the business firm, though they will be important to the overall size of the firm and its total profitability.

For the Atlantic provinces or the Prairies, however, this is not the case. As just noted, for many manufacturers to survive in these areas requires significant sales outside the local area. But the cost of shipping goods in a country as vast as Canada is high. And when the goods arrive in the markets of other provinces, they must sell at prices high enough to recapture this transportation expense or else the company's profits will suffer. This puts manufacturers outside Central Canada at a disadvantage in competing with Central Canadian firms in the Central Canada market. It also puts them at a disadvantage in shipping beyond

Central Canada. Goods produced in the Maritimes, for example, have much further to go, and hence bear higher transportation expense, to get to Saskatchewan or British Columbia than goods which are produced and shipped from Ontario.

Many factors have influenced the location of manufacturing industry in Canada, and there is no one single explanation for the location pattern which has actually emerged. Proximity to major markets, however, is clearly one of the important factors. Quebec and Ontario, combined, contain approximately two-thirds of all manufacturing establishments in Canada. The Atlantic provinces together have approximately 5% of all manufacturing establishments and the Prairies less than 15%. This seems to be quite clearly related in part to the relative size of the Central Canadian market.

There is a further implication of this location pattern. Not only have high transportation costs together with the distribution of population contributed to an imbalance in manufacturing activity carried out in various regions, they have also contributed to differences in the cost of the manufactured goods consumed in various regions. For the Maritimes, for example, possessing such a small proportion of total manufacturing production has meant being forced to buy finished

Figure 1-6

What is the relative importance of the primary and manufacturing sectors in the various provinces?

Relative Importance of the Primary and Manufacturing Sectors in Provincial Economies, 1970-74

	Newf.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
All primary industries	17.3	16.3	7.1	8.1	4.5	4.6	13.3	35.1	29.9	9.5	9.3
Agriculture	–	12.4	1.6	2.4	1.9	2.1	8.3	24.7	8.0	1.3	3.6
Fishing	2.9	4.0	2.5	1.0	–	–	–	–	–	0.7	0.2
Forestry	1.9	–	0.5	2.3	0.7	0.3	0.1	0.2	0.2	3.6	0.8
Mining	12.6	–	2.5	2.5	1.9	2.2	4.8	10.2	21.7	3.9	4.7
Total manufacturing	12.3	9.2	15.2	18.9	27.3	31.9	14.7	6.7	9.8	18.9	24.8
Resource-related manufacturing[1]	4.0	6.7	8.7	13.9	11.3	10.2	6.0	3.2	5.6	13.8	10.3

– amount too small to be expressed

1 Resource-related manufacturing covers the early stages of resource processing: food and beverages, wood products, paper and allied products, primary metals, nonmetallic mineral products, and petroleum and coal products. The percentages shown for this sector are only approximate. They are understated for Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, and Saskatchewan, as some of the data are secure and they apply to 1974.

Source: Economic Council of Canada, *A Time for Reason*, Fifteenth Annual Review, 1978, p. 36.

consumer goods from producers in Quebec and Ontario, the cost of which is made higher because of the transportation charges. A similar situation exists in the Prairies.

The Maritimes throughout most of the period since Confederation have received transportation subsidies from the federal government. These subsidies have applied only to goods moving out of the region, not goods coming into the region. Thus they are intended to act as a spur to industry to locate in the Maritimes. However, these subsidies, paid on rail freight shipments and, since 1969, freight carried by truck, have not been of an obviously major benefit. Indeed, there is some basis for believing that the subsidies have simply allowed the transportation companies to raise prices, thus off-setting all or part of the impact of the subsidies.

In the Prairies, grain shipments receive subsidized freight rates. These subsidies were originally offered, in part, in response to Prairie protests over the high cost of manufactured goods which were bought largely from outside the region.

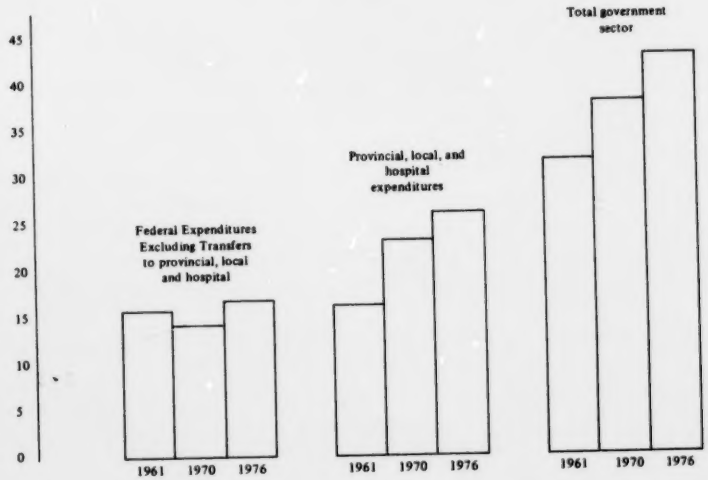
Late in the 1970's the federal government began to express concern over the high cost of freight subsidies in both Atlantic Canada and the Prairies and to advocate their removal. However, at least temporarily, political pressures forestalled any definite moves in this direction.

One of the most important new developments to characterize the service sector in recent years has been the tremendous impact caused by the increasing adoption of computer technology and computer-communications combinations. This has, on the one hand, created a whole new industry of firms providing these services. Further, it has revolutionized many existing jobs (many secretaries, for example, now train on "word processing" machines rather than typewriters) and industries. Banking transactions, for example, are increasingly being carried out by computers which maintain accounts, issue statements, transfer funds, and so on. The technology is at hand to permit many jobs to be performed from the home, to permit shopping to be done using a video system that links a computer-communications system to the home television permitting written messages to be sent directly into a person's home (rather than through the post office) using the same computer-communications-television technology, and so on. More will be said on this in Chapter III, as the actual implementation of many of these changes lies in the future. But part of it has already occurred and already the effects on Canada and Canadians are significant.

Figure 1-7

How has spending in the government sector grown since 1961?

Government Expenditures As A Percentage of Total Economic Activity (Expressed in Current Prices) — 1961-1976



Source: Department of Finance, Government of Canada, *Medium-Term Projections and Targets*, Feb. 1978, p. 48.

The Government Sector

Since World War II, the role of government in the Canadian economy has undergone considerable expansion. In part, this was in response to changing perceptions by Canadians about the functions which government ought properly to undertake in the economy. In part, it was in response to increasing demands by Canadians for services which government alone can provide or which government can best provide. In part, it was in response to perceptions by Canadians and/or Canadian politicians of social/cultural needs, the meeting of which have had major economic implications.

Through the 1960's and 1970's, government adopted a wide variety of "social welfare" legislation – a much-expanded unemployment

insurance programme, a universal medical care programme, expanded old age security programmes and family allowance programmes, a universal pension scheme, and increased support for education. Government, in the same period, continued to assume responsibility for "managing" the overall economy in terms of attempting to control unemployment and inflation and stimulating economic growth. Government significantly increased the regulation of private business both in terms of monitoring business activities and collecting information on business and in directly regulating certain industries in the Canadian economy, such as airlines, broadcasting companies, and so on. Government initiated a variety of programmes, such as establishment of the Department of Regional Economic Expansion, intended to redress economic disparities amongst the regions of Canada. Government expanded its support of Canadian cultural activities including broadcasting, publishing, and the performing arts. Government initiated, at the federal level, a policy of bilingualism in the federal civil service to provide federal government services anywhere in Canada in either French or English. The number of public service employees both federally and provincially expanded significantly in order to carry out the duties associated with these various functions or programmes.

By the close of the 1970's, major concern was being expressed in several quarters over the impact of government. Over-spending by government was held responsible for much of Canada's inflation problem, concern was being expressed about the size of the national debt, and many people were disillusioned by the government's seeming inability to solve problems such as French Canada's cultural, political, and economic aspirations, unemployment, regional disparities, and inflation.

Space does not permit a detailed examination here of the merits of these arguments. Three points should, however, be made. First, while government has failed to solve many problems and may well have made others worse, there have also been successes and gains in moving towards solutions to many problems. Second, people often fail to realize that the functions or goals of government may be incompatible. There may be no politically acceptable way to solve unemployment without increasing inflation; or no way to redistribute income, between persons or regions, without sacrificing overall economic growth; or no way to protect and enshrine individual rights and freedom of action without sacrificing various economic, social, or cultural goals. Is it better, for example, to promote Canadian culture through limiting Canadians' access to United States television programming than to give Canadians the right to watch whatever television programme they want? We may agree readily that both individual freedoms and culture are important. We often fail to realize that achieving one may be possible only at the expense of the other.

In a similar vein, many Canadians have become concerned about the total size of government expenditures but can reach no agreement on what programmes should be eliminated, either because, individually, the programmes are deemed worthwhile, or because each Canadian benefits to different degrees from different government activities. Nobody wants to sacrifice those programmes of greatest benefit to themselves and their acquaintances.

Finally, the views that people hold as to the worth of government programmes and the size of the government sector must ultimately be recognized as containing value judgements. If government is perceived as an interference, a "necessary evil" whose presence is to be minimized whenever possible, then increased government activity will likely be perceived as "bad", even if it is successful in achieving its goals. Alternatively, if government is perceived as inherently "good", embodying the collective will of the Canadian people, then increased government activity will likely be welcomed, even if it is unsuccessful in achieving its goals.

Most Canadians probably hold neither of these extreme views. But those who do are often the most vocal in expressing their views. This discussion should not be seen as an attempt to "whitewash" the issue of government performance. Clearly, mistakes have been made. Clearly, politics and not rational economic or social criteria are often the determinants of government action. Clearly, there is waste in government and by government. Governments should be held accountable for their activities and how the tax dollars of Canadians are spent.

An important point to realize, however, is that an evaluation of how well government performs its tasks and carries out its goals is, in most cases, different from an evaluation of what those tasks and goals should be, except where the goals are clearly shown to be unrealistic in the light of performance. Value judgements concerning the proper role of government should be clearly identified as such. They should not be hidden while purporting to offer "objective" analysis of government performance.

The major economic goals which government in Canada now pursues are:

1. the promotion of full employment and price stability, i.e., the elimination of unemployment and inflation;

2. the promotion of economic growth;

3. the promotion of a more equitable distribution of income between individuals and regions;

4. the promotion of a viable balance of payments, i.e., a proper balance between receipts and disbursements arising out of Canada's international transactions;

5. the promotion of a "proper" allocation of resources where "proper" may be defined in terms of promoting economic efficiency (for example, preventing abuses of market power by large firms) or promoting social goals (for example, maintaining control of Canadian broadcasting firmly in Canadian hands, or preventing environmental pollution).

In Chapter III, we will examine some specific government programmes which are likely to prove important in the 1980's.

International Trade

Canada is a trading nation. Exports of goods and services have traditionally accounted for 25% or more of total economic activity. Canadian imports of goods and services produced by other countries have historically been of a comparable magnitude. For any nation with an international trade sector of this relative size, and hence for Canada, changes in exports and/or imports will have a profound impact on the economy and its people.

Trade or exchange takes place between countries because it is mutually advantageous to trade. Just as individuals may enhance their well-being by doing just one or a few things themselves and exchanging the goods or services produced with others, countries as a whole can benefit in a similar fashion. When the trade sector becomes overly important, however, there may be disadvantages which result.

Canada has always been extremely vulnerable to economic and political change in the rest of the world because so much of its output is sold to the rest of the world. If other countries are experiencing a slowdown in their own economies, they may not want to buy as much from Canada. Canada's export industries will suffer. If other countries experience major inflation, then the price of the goods Canada imports from such countries will rise and this could result in more inflation in Canada.

When the Organization of Petroleum Exporting Countries (OPEC) began to increase the price of oil in 1973, Canada, as one of the world's largest energy consumers (on a per person basis) and despite her own oil producing industry, began to experience such major short-term economic effects as increased inflation. In the longer run, rising world energy prices will have even more profound effects, especially on the

Figure 1-8

What types of goods does Canada sell to other countries?

Canadian Exports - 1977 - 79
(000's $)

	1977	1978	1979
Live animals	151258	213780	245298
Food, feed, beverages, and tobacco	4456298	5087259	6048328
Crude materials - inedible	8850127	6829754	12532112
Fabricated materials - inedible	14926838	18096250	24366016
End products - inedible	15231158	18765513	20835609
Special transactions trade	68179	116379	166210
TOTAL	43683859	51918935	64193573

Source: Statistics Canada, *Exports by Countries* Jan. - Dec. 1979

Where does Canada sell its exports?	Value of Canadian Exports - 1979 (000's $)
Western Europe	$ 8288025
Eastern Europe	1204019
Middle East	815120
Other Africa	787403
Other Asia	6124759
Oceania	658467
South America	1700165
Central America	1151369
North America	43464246

Source: Statistics Canada, *Exports by Countries* Jan. - Dec. 1979

lifestyle of Canadians. In Chapter III some of these possible effects will be examined in more detail.

Traditionally, Canada's exports have been dominated by primary products while imports have been dominated by manufactured goods. This issue was discussed earlier when it was noted that some Canadians advocate greater processing of Canadian resources in Canada and more exports of finished, manufactured goods rather than natural resources. As was noted, this may be desirable but may not be realistic. The government throughout the 1970's undertook to promote the export of manufactured goods whenever and wherever possible, though as of the beginning of the 1980's this policy has not yet achieved any widespread success.

Finally, it should be noted that throughout the twentieth century, Canada's foreign trade has come to rely increasingly on the United

States. In terms of the earlier argument that a large trading sector may make a country particularly vulnerable to economic and political change in other countries, this situation can be even more extreme when the country's trade is so dominated by a single other country. While the nature of Canada's political relations with the United States are stable and friendly, political developments in the United States may, nonetheless, affect the Canadian economy.

For example, the United States and Canada in the latter 1970's began to negotiate the boundary line for jurisdiction over the continental shelf on both the Atlantic and Pacific coasts, folllowing implementation of the 200-mile ocean jurisdiction limit. Where that boundary line ultimately falls, as determined by the political process, could have a profound impact on Canadian fishermen and on Canadian exports of fish to the United States. As a further example, the policy of subsidizing imported oil in the United States, following the rise in world oil prices by OPEC countries in 1973, was not extended to imported oil refined outside the United States. Thus, it harmed the ability of some Canadian refineries, particularly in Atlantic Canada, to continue to sell in the United States market.

Of even greater importance than political developments, economic change in the United States is of crucial consequence to Canada. Indeed, it is almost impossible for Canada to escape the influence of United States economic change. Our standard of living and the jobs of many Canadians hinge directly on the relative prosperity of the United States economy.

Jobs — Once again

Now that we have had an opportunity to discuss, albeit briefly, the various sectors of the Canadian economy, we can come back to the examination of the jobs Canadians hold and the way in which Canadians live.

The examination of the different sectors of the economy clearly highlights the point that jobs are not all the same. Canadians who work in the resource sector perform jobs, and live, quite differently from Canadians who work in the manufacturing sector or the service sector. The issues that are important to Canadians as individuals and those they may identify as of concern to the country may differ considerably as well. Furthermore, it is now more obvious that different regions or parts of the country share in various economic activities to different degrees. As a result, the jobs Canadians perform or have available to them may vary quite considerably depending on where in Canada they live. Levels of income received from working may also vary con-

siderably from one region to another as may the cost of living, the availability of various goods and services, the number of persons unemployed, and so on.

It is also obvious from the discussion of sectors that much of what goes on in the Canadian economy and hence, much of what affects the economic well-being and lifestyle of Canadians is very closely tied to the United States. The high levels of United States involvement, through branch plants and subsidiaries, in the Canadian resource and manufacturing sectors, the importance of the high degree of contact between people in the two countries stemming both from their proximity and their economic involvement, makes the United States influence on Canada, for better or worse, a profound one.

Canada and the lifestyles of Canadians in 1982 are, as observed at the outset, a study of variety and contrasts – of poverty amidst affluence, of big government alongside free enterprise, of foreign domination of the domestic economy. Having explored a number of the more prominent features of this economy of 1982, the question arises of how this economy came to be. In Chapter II we will, accordingly, examine the historical development of the Canadian economy.

The Canadian Economy — Yesterday 2

In 1867 the British North American colonies of Canada, New Brunswick and Nova Scotia joined together in a political union and the new country of Canada was created. A number of factors prompted this union including fear of annexation by the United States, concern over the possibility of armed conflict with the United States, and the continuing strife between the French-speaking population of Lower Canada and the English-speaking population of Upper Canada. Equally important, perhaps even more important, however, was the colonies' desire to create an expanded economy, and an economy which was more under their control.

In the 1840's Great Britain abandoned the mercantile system under which the colonies had been settled and developed and embraced the new philosophy of free trade. This meant an end to the privileged position which the colonies' exports had enjoyed in the British market. It meant a decline in the economies of the colonies as export sales to Britain fell.

In the late 1840's and the beginning of the 1850's the colonies experienced considerable economic hardship because of this loss of British sales. There was talk of union with the United States. Although this did not last for long there was a general feeling that Britain had unfairly abandoned the colonies.

A replacement for the lost British market was found in the United States. In 1854 a Reciprocity Treaty was signed between the colonies of British North America and the United States. The treaty provided for the free trade of staple products; that is, there would be no tariff duties on natural resource products traded between the United States and British North America. During the ensuing ten years the colonies generally prospered. It is questionable whether the Treaty itself was responsible for this prosperity. Exports to the United States had begun to increase as early as 1851 before the Treaty was signed. Moreover, the onset of the American Civil War in 1860 was a major influence on the demand by the United States for goods produced by the colonies.

Whether the Treaty was responsible for the prosperity or not, however, does not really matter. What is important is that the colonies

believed it was responsible. Thus it was with great alarm that Canadians received the news in 1864 that the United States would not renew the Treaty. The agreement was terminated by the United States in June 1866.

This represented the second time in a span of less than 20 years that the economic well-being of the colonies was threatened. It was the second time that the prosperity of the colonies was threatened because of a political decision made by another country beyond the control or influence of the colonies. Thus the colonies generally concluded that as long as their economy remained so exclusively dependent upon exports, they would remain vulnerable to political and economic events outside their control. The desire was born to create an internal market, controlled by the colonies, to provide a greater degree of balance in the economy and to reduce the total dependence of the colonies on foreign export markets. This desire was clearly strongest among businessmen in the Province of Canada. These people, after all, had the most to lose from the loss of the United States market. They also had much to gain from a new internal market that they could influence directly.

This internal market scheme, once born, was heavily influenced in its design by United States experience. Canadians observing the United States saw an economy which, even though it had been severely disrupted by the Civil War, had nonetheless made significant gains during the first 60 years of the 19th century. The colonists believed that these gains had resulted because the United States had opened up and maintained a western agricultural region. The rich agricultural land of the west was a frontier offering the possibilities of new economic opportunities.

As the Canadians viewed it, the western frontier in the United States had attracted new immigrants from Europe and produced food to feed the people of the East. This meant that the already settled East was able to specialize more fully in the production of manufactured goods. The frontier provided a marketplace for the manufactured goods of the East. It supported a transportation sector and commercial sector based on an east-west flow of trade. People and manufactured goods travelled west; foodstuffs returned east.

As in the case of the Reciprocity Treaty, it is not relevant whether this perception of the United States economic growth and development was correct. The important point is that Canadians generally perceived it as a correct explanation for the economic health of their southern neighbour. Thus, when the colonies, or at least certain prominent individuals in the colonies, decided that it was necessary to form their own internal market, they also decided to model this market on their perception of United States experience.

Figure 2-1

What was the economic basis of the Maritimes' opposition to Confederation?

(From Joseph Howe, *Confederation Considered in Relation to the Interests of the Empire*, 1866; excerpts quoted here are reprinted in J.M. Beck, *Joseph Howe: Voice of Nova Scotia*, Carleton Library Series, no. 20 (Toronto: McClelland and Stewart, 1964.)

... [The Maritime Provinces] desire to preserve the great privileges they enjoy, and to develop their resources without being involved in entanglements difficult to unravel, and from which, when once entralled, there may be no easy means of escape ...

Turning to the equally absurd proposition, that Canada should be aided by a British guarantee to enable her to purchase and govern the Hudson's Bay territory, and that she should be permitted to extend her authority over the organized Provinces on the Pacific, with power to assume their revenues, appoint their governors, judges and senators, and tax them internally and externally, the idea is simply preposterous and absurd ... yet strange to say, the Canadian proposition in gross ignorance of its monstrosity or in utter indifference to the subject was received with general favour ...

Unfortunately there is [another] class of persons in England ... who, painfully interested in the throes and eccentricities of Canada, are too much inclined to favour anything which may be calculated to restore her to financial soundness and give buoyancy to stocks fully depreciated. Meetings are annually held in London, at which a body of very worthy persons, who have invested 10,000,000 or 15,000,000 in certain enterprises connected with Canada, debate for a whole afternoon the very interesting question of how they can get their money back again ... despairing of relief from other quarters, it is sometimes assumed that if the productive revenues of the Maritime Provinces could be flung into the empty treasury of Canada, in which, for ten years, there has been but one surplus, and that if the British Government would throw three or four millions into the country, for any object and at anybody's expense, their prospect of dividends might be improved ... [these persons] would gladly make the Maritime Provinces, that have had nothing to do with their disappointments and their sufferings, pay the penalty of their own want of strength ...

Reprinted by permission of McClelland & Stewart, Ltd., Toronto.

As it unfolded, there were three main features, or parts, to the Canadian plan:

1 to open up and develop the western lands known today as the Prairie provinces.
– This would provide the agricultural region analagous to the U.S. West. This new land would, it was assumed and hoped, attract waves of immigrants from Europe, thereby expanding the population. Numbers were, and are, an important consideration for the success of the internal market. Like the agricultural frontier of the American West, the new land would produce food crops for the rest of the country and for export; and it would be a marketplace to sell the industrial manufactured products produced in the established eastern colonies.

2 to industrialize the East.
– Significant economic growth was expected to result from

the specialization of the newly opened western lands and the furtner opportunities of the established colonies to specialize in tne production of manufactured goods. Remember tnat this was tne period of the Industrial Revolution in Europe. Industrialization and economic growth were assumed to be virtually synonymous – to have one meant to have tne otner.

3 to construct a railroad.
– In order for the internal market to operate, a means of distributing goods was a fundamental necessity. Tnis was particularly tne case in Canada because of the vast distances involved. If an east-west flow of trade was to be achieved, then an east-west transportation system had to be provided.

In order to accomplish this economic plan the colonies deemed that a political union was necessary. The venture, especially the railroad, would cost a great deal of money. None of the colonies on its own was capable of commanding a level of confidence from lenders high enough to allow the borrowing of the funds that would be required. Collectively, nowever, this would be possible. Furthermore, the plan for a new internal market was predicated on the desire to be free of the political and economic whims of others. For this desire to be realized, however, meant naving a similar insurance against tne whims of each other. In other words, without political union any of tne colonies, at any time, might cnoose to opt out of participation in the new market and erect barriers to tne free flow of goods within the internal market. With a political union wnicn vested complete control of trade and tariffs in tne federal government (as tne British North America Act subsequently did) tnis could not nappen unless the political union was dissolved.

One snould not assume that all of the colonies were unanimous in tneir support of Confederation. The Province of Canada stood to gain tne most from tne plan's successful implementation, and hence, most actively promoted tnis economic plan. In terms of popular support, tne Maritime colonies were opposed to Confederation fearing both a loss of tneir independence and identity, of which they were extremely proud, and, also, economic loss. To be sure, there were people in the Maritimes wno thought that they would gain economically from Confederation. Tnere was hope that tne coal fields and iron deposits of tne region, coupled with the rail link to the Province of Canada whicn had been promised, would make the Maritimes, especially Nova Scotia, tne industrial neartland of the new country.

Nevertheless, many Maritimers felt tnat the union would threaten their traditional markets whicn were based on ocean trade with the West Indies, the United States, and Great Britain, and not the other

colonies of British North America. Moreover, it was argued, the Maritime colonies were poorly located to take advantage of a continental trade based on an east-west flow of goods.

Ultimately Nova Scotia and New Brunswick entered Confederation only because Great Britain would not allow them to stay out. The British pressure upon Nova Scotia and New Brunswick to enter Confederation was based upon consideration of defence and the cost of defence. Prince Edward Island did stay out until 1873 and Newfoundland stayed out until 1949.

Whether reluctantly or not, the three colonies (Canada, Nova Scotia, and New Brunswick) did officially unite to form the country of Canada on July 1, 1867 and plans were set in motion to implement the "national internal market" design which had helped give birth to the new country.

The Economy of 1870

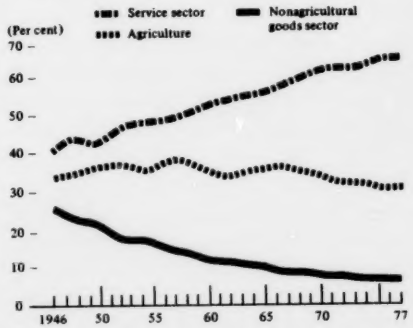
The economy of Canada in 1870 was a fairly simple one which soon became far more complex. The western prairies, hitherto known as Rupert's Land, had just been purchased from the Hudson's Bay Company by the new Dominion Government. But new settlers had not yet moved into the Prairies in large numbers. It was still largely an unsettled wilderness. One year earlier the Red River Rebellion had erupted, as the Metis people of the Red River valley, led by Louis Riel, sought to safeguard their lands against Canadian encroachment. In 1870 the established provinces of Quebec, Ontario, Nova Scotia, and New Brunswick were attempting to adjust to the new union. Just one year before Nova Scotia, under the leadership of Joseph Howe, had negotiated a "Better Terms" deal with the federal government to provide more funding to Nova Scotia for the operation of the provincial government. The provinces, upon Confederation, had turned their principal revenue source, tariffs on imported goods, over to the federal government. In return the federal government assumed responsibility for all outstanding debts of the provinces and, annually, paid a certain sum of money to each province, based on population, to cover the costs of provincial government. It was this sum, as originally allocated to Nova Scotia in 1867, that Nova Scotia, led by Mr. Howe, successfully argued was insufficient compensation for the province's loss of tariff revenues. It must be remembered that indirect taxes such as tariffs were very important in 1870. No income taxes were levied at that time.

In Ontario and Quebec, there was concern as to whether the new political arrangement would solve the conflict between French-Canadians and English-Canadians. The peaceful solution to the first

Figure 2-2

What is the relative importance of different sectors for employment?

Sector Employment, as a Proportion of Total Employment, Canada, 1946-77



Source: Economic Council of Canada, *A Time for Reason*, Fifteenth Annual Review, 1978, p. 70.

Red River Rebellion, marked by the creation of the Province of Manitoba in 1870, was taken as a very positive sign that it would.

New Brunswick and Nova Scotia were hopeful that the Intercolonial Railway to link Halifax with Montreal, as promised at Confederation, would be completed quickly. New Brunswick, however, was less eager than Nova Scotia since Great Britain, for defence reasons, had insisted that the railroad follow a route along the north shore of New Brunswick. This was a serious issue for New Brunswick because the railroad would bypass the major economic and population centres of the province, including Saint John and Fredericton.

In 1870 the transcontinental railroad project west to British Columbia had not begun. The Grand Trunk Railroad, a British-owned railroad company built in the 1850s, stretching from Sarnia to Quebec City (with an extension to Portland, Maine for winter shipping purposes) had been originally interested in the project. The Grand Trunk, however, had dropped out in 1868 when Sir John A. Macdonald's government insisted on an all-Canadian route. The government had also decided that the railroad should not be owned, built, and operated by the government but instead by a private company with govern-

ment assistance. Thus, in 1870 the government was still looking for a private market group willing to undertake the project and it was assumed tnat the railroad would be started shortly. Negotiations were proceeding to bring British Columbia into Confederation in 1871, in part based on the promise that the railroad would be started within two years and finished in ten. Ultimately it would be 1885 before the railroad was completed.

In 1870 Canada had a population of 3,689,000 people. Of these, approximately 80% lived in rural areas while only about 20% lived in urban areas. Tne people in the rural areas were primarily farmers while some were fishermen or lumbermen. In the cities and towns there was some manufacturing. Most of this was operated on a very small scale mainly to meet local needs. One would find small enterprises such as tanneries and bakeries. There were limited ventures, beginnings only, in tne iron and steel industry, primarily in Ontario. While most of the manufacturing sector was small and local in nature there were some reasonably large companies which served the larger population centres of Quebec and Ontario. Mining was important in certain localities, for example coal mining in Nova Scotia. Shipbuilding (wooden sailing ships primarily) was a key industry in Nova Scotia and New Brunswick. There were the early beginnings of a pulp industry. Textile manufacturing was becoming an increasingly important industry in central Canada, especially Quebec, and machinery was produced on a small scale in several urban centres, especially Montreal.

Commercial interests, such as exporters and importers, transportation companies, and retailers, were a prominent source of economic activity. The commercial sector had always been strong in the colonies as a result of the importance of primary product exports. As of 1870 tnis importance continued to be strong.

The economy of 1870, however, had not yet become a national economy. Most of the economic activity was directed to local and, at best, provincial markets and requirements or else to export markets. A national economy was still just a plan which had yet to be implemented. Until the Intercolonial Railroad was finished the Maritimes, for geographic reasons, were limited in their ability to operate in a national economic framework. Similarly, central Canada was limited in its ability to expand its economic interests to the Maritimes. Until the west was settled and a railroad constructed none of the presumed advantages that were hoped for from creation of a western agricultural frontier could be realized. Urbanization and industrialization were not yet significant forces in the economy.

Economic activities, especially in the manufacturing sector, were isolated and decentralized. Tne economy had traditionally invested

little in fixed plant facilities, i.e. buildings, machinery, and equipment. Most investment had traditionally been in commercial ventures – underwriting trading ships for example – or in providing transportation infrastructure. Modern production techniques of the type being used in 1870 in British factories or indeed in many U.S. factories were still virtually unknown in Canada. The French-Canadian population of Quebec was still divorced from the mainstream of industrial and commercial economic activity. This situation was to continue, though to a progressively diminishing degree, until after World War II.

What then caused the transformation of Canada's economy from its position in the 1870's to its position in 1982? The answers are to be found in external or outside influences, technology, the discovery of important new raw material supplies, and government policy.

Transformation: 1870s-1980s

The plan to create a national Canadian market for Canadians that helped to prompt Confederation had made little progress by 1870. In the ensuing decade, however, circumstances changed dramatically as steps to implement the plan moved ahead.

In 1870 the Canadian government acquired the Hudson's Bay lands in the Prairies. In 1872 the Dominion Lands Act was passed by Parliament. This Act provided for free homesteading in the Prairies on parcels of land of 160 acres, in return for a $10 registration fee and fulfillment of certain cultivation requirements within three years.

In 1874 the government thought it had reached an agreement for the building of the transcontinental railroad. The hope was shortlived, for the agreement quickly erupted in the "Pacific Scandal" which drove Macdonald and his Conservative party from office in the elections of 1874. The new Liberal government, after first renegotiating British Columbia's terms of entry into Confederation (these terms had promised a completed railroad by 1881), embarked on a programme of building the more important sections of the proposed line itself. Also, the proposed time period for building the railway was extended. By 1878, when Macdonald and the Conservative party were returned to office, approximately 700 miles of track had been laid.

In 1880 Macdonald's government signed a contract with the Canadian Pacific Railway Company to construct a railroad from Montreal to the Pacific coast of British Columbia to be completed by 1891. As part of the deal, the C.P.R. received assistance from the government in the form of a $25 million cash grant; a land grant of 25 million acres of prairie land; ownership of the track already laid by the government,

valued at more than $35 million; tax exemptions forever on construction material and the capital stock of the railroad; a monopoly on the operation of rail services between the main line and the United States border; exemptions of tariff duties on imported construction materials; and freedom from regulation of freight rates until profits reached a certain level. The contract was viewed by many as too generous, and was soundly attacked in Parliament. Nonetheless, the contract was approved. By 1883 the railroad was operational to Winnipeg. It was finished through to the Pacific Coast by 1885.

It was initially hoped that industrialization in the established colonies would be generated without any special inducements. Indeed, partly in response to fears expressed by the Maritimes at the time of Confederation, the tariff on manufactured imports adopted in 1867 was lower than the previously existing tariff of the Canadas. During the 1870s, however, two major developments occurred to change this position. First, Canada's iron and steel industry began to experience increasing competition from the United States. The United States had modernized its iron and steel production with new technology which increased production capacity and reduced costs. Based on British experience, an iron and steel industry was regarded as essential for sustained industrialization. The new United States competition thus threatened Canada's industrialization goals.

Second, in 1874 a new Reciprocity Treaty with the United States, which would have provided for free trade on resource products, was defeated by the United States Congress. This served to highlight anew Canada's vulnerability from an over-dependence on primary product exports. Defeat of the Treaty created a desire for a more rapid pace of industrialization within the Canadian market.

In 1879 the Conservative party adopted a new tariff policy which introduced significant protection for domestic producers from foreign imports. Tariffs were introduced, or increased, on manufactured goods which Canada produced or was deemed capable of producing. The major industries to benefit from this new tariff policy most immediately were iron and steel, textiles, and farm machinery. The benefits did not end there however; producers of a wide array of other manufactured goods were also helped and spurred on to new development by the presence of the tariff.

In the West the new tariff policy generated no immediate major opposition. The reader will recall that the West was still virtually unsettled in 1879. In later years Prairie farmers would, however, come to express great opposition to the tariff. As the West developed resentment against the tariff grew as farmers protested being forced to

buy their manufactured goods, farm supplies, machinery, and consumer goods at the inflated prices which resulted from the tariff.

In Central Canada the policy was welcomed. Most of the existing manufacturing activity was located in Quebec and Ontario. To Central Canadians the tariff policy meant jobs, wages, and profits. The reaction was different in the Maritimes. Here there was major, although not unanimous, opposition. There were some attempts to take advantage of the new tariff protection in some parts of the Maritimes. Textile mills, sugar refineries and machine industries, for example, were started in several locations such as Saint John, Halifax, Windsor, and Amherst. Despite these ventures the tariff generally was seen as a threat to the traditional export industries of the Maritimes. The tariff was seen as contributing to increased costs of production, through higher prices for inputs, without any major offsetting benefit. The real problem, however, was that the Maritimes lacked manufacturing activity. The locational disadvantages of the Maritimes made it difficult to create a manufacturing sector which would be able to compete in the national market.

The economy of the Maritimes began to decline in the 1880's. The tariff and other federal government policies were blamed and the old hostilities towards Confederation were renewed. In 1887 the Nova Scotia Legislature passed a Resolution of Secession. New Brunswick and Prince Edward Island were asked to join with Nova Scotia in seceding from Confederation.

Actually, as of the 1880's, few of the Maritimes' economic ills were due to the tariff of 1879. Other factors such as increased use of iron steamships in place of wooden sailing ships and poor economic conditions in the British West Indies, a traditionally important trading partner of the Maritimes, were of more significance. Over a longer period of time, however, the tariff clearly did have a negative effect on the Maritimes.

In addition to the measures we have already identified – making the western lands available to settlement, building the railroad, and introducing the protective tariff to promote industrialization – the federal government also undertook a very active programme to promote immigration to the West. Despite all these measures, however, little happened on any front until after 1896.

After 1896 the western lands finally emerged as a major wheat producing area. World demand for wheat was high, wheat prices were rising, and new technology and farm methods opened up the arid regions of southwest Manitoba and Saskatchewan to commercial farming. Farm productivity increased. New settlers poured into the

Prairies in response to the new economic opportunities. The number of farms grew, wheat production grew, and export sales overseas grew, spurred on still further by decreases in ocean shipping costs as the iron steamship continued to revolutionize ocean shipping. Approximately thirty years after Confederation Canada began to realize, at last, the aims of the national policy, the national market plan, which helped give birth to Confederation.

The economy prospered everywhere. Quebec and Ontario manufacturers finally had a large market in the West in which to sell their products, aided by the protective tariff policy.

Rising incomes both in the West and throughout the country led to increased demand for all types of consumer goods. Between 1900 and 1919 no class of manufactures produced in Canada failed to at least double its value of output. Two further transcontinental railroads were built between 1895 and 1914. British Columbia sold lumber to the Prairies where a spectacular building boom was in in progress. The Maritimes shipped Prairie wheat through the port cities of Halifax and Saint John. Banks and other financial institutions found lucrative new markets in the West for their lending activities. Foreign lenders, especially from Britain, put large sums of money into Canada in response to the new economic prosperity. It seemed as if the twentieth century truly "belonged to Canada".

Then, in 1914, the sense of continuing economic prosperity was broken. War was declared in Europe. The flow of immigrants abruptly stopped. Exports of wheat had trouble reaching the European market. The railroads no longer had enough freight or passengers to carry. The boom was over.

By the 1920's, following the end of the war, Canada was an economy with major problems. New competition in foreign markets from Argentina and Australia and increased competition from the United States drove world wheat prices down dramatically. The over-building of railroads in the boom years had brought Canadian railroads, except the C.P.R., to the verge of bankruptcy. The government was forced, in 1918, to form the Canadian National Railways, a government crown-corporation, to take over the major private railroads in the country, with the exception of the C.P.R. The new C.N.R. was heavily laden with debt, equipment and lines which had fallen into disrepair, and too many miles of track, often side-by-side.

The manufacturing sector, though not affected as dramatically as the agriculture sector, also experienced economic decline. During the first half of the 1920's many manufacturing industries continued to exist only because of the protection afforded by the tariff.

Farmers, concerned and angered by the decline in agricultural prosperity, demanded relief from the government. Many of these complaints were not new. Farmers, for example, had long protested against unfair banking practices, against the tariff, and against high freight rates. But in the 1920's the worsened state of the Prairie economy led farmers to start their own political parties. In the early 1920's the Progressive Party, a farmer-labour based party from the West, elected enough members to form the official opposition in the federal parliament.

The 1920's, significantly, were also a period of labour unrest. Unionization of labour had begun in Canada as early as the 1870's on a legally recognized basis. In the ensuing years labour unions had grown in numbers. Despite the progress of labour unions, however, by 1920 unions still represented only 373,800 workers out of a total civilian labour force of over 3 million people. The 1920's saw an actual decline of union membership both in absolute terms and as a percentage of the labour force. It was a period, however, of major union militancy. The reasons for the increased militancy were that unionized workers felt they were making little progress in winning the right to collective bargaining, and that employers were deliberately trying to break the unions. These perceptions were further sparked by the sudden return to the civilian labour force of large numbers of soldiers unable to find work.

The Winnipeg General Strike of 1919 marked the beginning of a major period of often violent union-management confrontation. Violence in labour-management relations was not new. As Canada's new industrialism had progressed after 1880, factory workers became increasingly disillusioned and angry over their poor working conditions, long working hours and low wages, and over their employers' continuing refusal, with few exceptions, to bargain collectively with workers on these matters. The advent of industrialism had brought with it a new mode of production. A new class of unskilled workers came into being, disrupting the previous system of skilled artisans or craftsmen. Workers in this new industrial society of the late nineteenth and early twentieth centuries needed assistance. Unions and confrontation were often the only means available to workers to air their grievances and to seek relief.

In the 1940's, with the advent of World War II and the federal government's desire to secure peaceful labour relations for the sake of the war effort, the right to collective bargaining was finally secured by workers. When the war ended and jurisdictional control over labour legislation reverted to the provinces, all provinces introduced their own labour relations codes. Collective bargaining rights were assured. During the 1940's and since, union membership has grown. Canadian workers have, however, continued to be relatively militant (although labour

violence has all but disappeared), in part perhaps because of the continuing bitter memories of the long hard fight to secure collective bargaining rights and decent working conditions and wages.

In the 1920's regional strife flared again in Canada. The discontentment of Prairie farmers has already been noted. In the Maritimes the hard times which followed the end of the war gave birth to the so-called "Maritime Rights Movement", a popular-based protest movement concerned with gaining redress for the negative impact which federal government policies were alleged to have had on the Maritimes since Confederation. Attention was focussed on four main areas: the protective tariff, which was condemned for forcing Maritimers to buy high-priced Central Canadian goods and raising costs for Maritime producers exporting to other countries; transportation rates, which had been subsidized until 1912 but not after, and which were alleged to be unfairly high even when subsidized; port development policy, which was condemned as inadequate for Halifax and Saint John and overly biased in favour of the St. Lawrence ports of Montreal and Quebec; and the level of funding provided by the federal government to support the provision of provincial government services, which was condemned as inadequate.

In 1926, the federal Liberal government, reacting to a victory in the Nova Scotia provincial elections of 1925 by the Conservative party, running on a platform based on the "Maritime Rights Movement", appointed a Royal Commission to investigate "Maritime claims of disability within Confederation". As a result of this Commission special federal grants to the three Maritime Provinces were instituted and the Maritime Freight Rates Act was passed in 1927, introducing a 20% subsidy on freight shipped out of the Maritimes carried on the Canadian National Railroad. This legislation, though amended over time, remains the basis for the transportation subsidy which still existed for the Maritimes in 1980.

Thus the early 1920's were a period in which a series of new problems were encountered, most of them born from the national policy goals implemented between Confederation and World War I. By 1925, however, the economy was recovering from the immediate post-war recession and economic expansion was renewed. This time, however, the expansion was different. It was not directly based on a primary product export boom. Rather it was the manufacturing sector which sparked Canadian growth in the second half of the 1920's.

The development of hydroelectricity in Ontario and Quebec and in British Columbia, beginning at the turn of the century, had opened the way for the development of many new "light" manufacturing industries – industries producing a wide array of consumer goods. The war had created an expansion of metal refining of copper, zinc, and

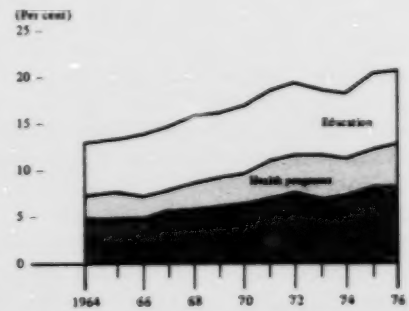
nickel. Mineral production in Canada almost doubled during the war years. Steel output was, in similar fashion, increased by wartime demand. The major steel producing industry present by the end of the war contrasted sharply with the minor steel production previous to the war. Pulp and paper production expanded tremendously after 1926. The obvious reasons for expansion of the pulp and paper industry are to be found in the availability of cheap hydro power and abundant forest reserves. Less obvious, but just as important, the industry grew because of a series of policies introduced by provincial governments before the war to prevent the export of raw pulpwood to the United States. These actions forced the United States, which had no substitutes for the Canadian pulpwood, to buy Canadian-produced pulp and newsprint. Aluminum production in Canada expanded, similarly encouraged by the availability of cheap hydro power. New important petroleum deposits were discovered in Alberta. The 1920's saw the widespread introduction of the automobile and Canada was quick to develop an automotive industry.

The expansion of the latter 1920's was short-lived. In 1929 the Great Depression began and by 1938, on the eve of World War II, the

Figure 2-3

How has government spending on social programmes changed since the 1960's?

Government Expenditures on Social Programmes as a Proportion of Total Economic Activity, 1964-76



Source: Economic Council of Canada, *A Time for Renewal*, Fifteenth Annual Review, 1978, p. 100.

economy had still not fully recovered from this decline in economic activity. But the decade of the 1920's was an important one because it saw the end of one era and the beginning of another. At the end of World War I the value of manufacturing output surpassed that of agriculture, symbolizing this passage from one period to another. People began in the 1920's to move off farms and into cities, out of agriculture and into manufacturing. New mineral discoveries were made, metal refining grew, pulp and paper established itself as one of Canada's leading industries, and new energy sources began to affect Canada's economic future in a substantial way. Technology, which allowed these developments or created the markets requiring these products, played a central role in this transformation.

From the start of the Great Depression until the end of World War II normal growth and development were interrupted by depression and war. Primary product industries were especially hard hit during the Depression. Once again Canada's vulnerability as a result of her high dependence on primary product exports proved damaging. As economies throughout the world experienced the Depression, levels of economic activity fell in all countries. As levels of economic activity fell, Canada's major trading partners bought fewer Canadian exports. In some cases, as for example, the United States, tariff levels were also increased, further decreasing the amount of goods bought from Canada. Those regions of Canada which were most dependent upon primary products and primary product exports, the Prairies and the Maritimes, were thus the most seriously affected by the Depression.

In the Maritimes, because that region was already, in the 1920's, the most depressed region in the country, the actual decline does not appear to be very large. For the Prairies, however, this was not the case. The Prairies were the single most affected region in Canada. Wheat prices fell by more than half between 1929 and 1931. In addition, the years of 1930 and 1931 were years of severe drought in the Prairies, the so-called "Dust Bowl" years. The unfortunate combination of economic and natural disasters occurring together made life in the Prairies in the early 1930's a bleak one indeed. In 1933, for example, the level of income per person in Saskatchewan was only 25% of what it had been in 1928.

By 1938 Canada, overall, was only just getting back to 1929 levels of economic activity. An entire decade of growth and development had been lost. Ultimately it was World War II and the expansion of economic activity to support the war effort which finally brought the economy out of the Depression.

After World War II many of the new development trends which had begun in the 1920's were resumed and intensified. The important

Leduc oil field was discovered in Alberta in 1947. New iron deposits were discovered in Quebec-Labrador. New technology helped to carve other new developments, such as the aluminum plant at Kitimat, British Columbia, out of barren wilderness.

In the post World War II economy government took on an expanding role. The experience of the Depression had changed Canadians' attitudes toward the role government could or should play in the economy. Government nad always assumed a role in policing the market, or free enterprise, system. Government had, as we have seen, always been assigned a role in promoting the economic development of Canada tnrough assisting private enterprise. The railroad ventures of the late nineteenth and early twentieth centuries are clear evidence of this role. After World War II, however, the duties assigned to government expanded. Increased government responsibility for "managing" the economy, in the hopes that another Great Depression would not happen, is one example of this. Another is the increasing importance of government in redistributing income in Canada between individuals and regions. A new consciousness of inequity had been born in part in the hardship of the Depression years.

After World War II the economy saw a major growth in the service sector and in service sector employment. Actually this was a trend which had started in the 1920's but which intensified after World War II, especially because of the increase in government activity.

The years following World War II saw a major surge of United States investment in, and ownership of, Canadian industry. Again, this was a trend which had started in the 1920's or even before and which actually increased in the 1930's as United States companies bought up failing Canadian companies, often at "bargain basement" prices. But the magnitude of United States investment which came after World War II made the investment of this earlier period seem small by comparison.

In 1955 the federal government established the Royal Commission on Canada's Economic Prospects, often referred to as the the "Gordon Royal Commission." This Commission was given the general task of assessing Canada's economic potential over the next 25 years and the measures that would be required to realize this potential. Twenty-five years later is, of course, 1980.

In the Commission's final report several prospective changes were noted:

1 Resource industries including forestry, fishing, mining and electric power would grow in relative importance.

2 Tnis change would mean that Canada would become more self-sufficient in fuels.

3 Manufacturing which is based on natural resources, for example, pulp and paper, would grow in size, though not in relative importance.

4 Manufacturing of finished goods for the domestic market would increase slightly in relative importance.

5 Service industries would be the major source of employment growth.

6 Agriculture would grow but decline as a percentage of total economic activity and in the percentage of the labour force employed in agriculture.

7 Most of the growth in population would be in cities and towns; the character of the country would become increasingly urban; "big" cities would grow particularly fast; and increased expenditures on housing, streets and highways, hospitals, schools and other similar facilities would be required.

8 United States ownership and control, especially of the largest and fastest-growing industries, would increase, without government policies to offset such a trend; trade would increasingly be with the United States also.

9 Income per person in Canada would grow significantly, leading to increased leisure time for Canadians, earlier retirement, and more young people continuing their education byond high school.

10 Government would be called upon to carry out policies aimed at managing unemployment and inflation, redistributing income between individuals and regions, providing social assets and amenities – policies and goals which a private market system is not capable of achieving.

This set of conclusions or predictions is extremely interesting, especially becuase of the closeness of the actual economy of 1980 to the forecast of the Commission. Some of the predictions have proven wrong, some of magnitudes of change (which are not included in the above precis) have proven to be too high or too low, many things have happened which could not possibly have been foreseen in 1955. But in spite of these qualifications a reading of this list of predictions

sounds strikingly similar to much of our discussion of Chapter I in which the major characteristics of the Canadian economy in 1982 were identified. Thus we come back to the economy of 1982: an economy which still relies heavily on primary products, especially in exports, with minerals and petroleum the new important staples of the latter twentieth century; an economy which has an important manufacturing sector which is, however, devoted predominantly to selling in the domestic market, is uncompetitive by world standards in a large number of products, and is heavily owned by foreign interests; an economy in which government has become a dominant economic force, and an economy where the service sector, always important, now promises to be one of the most important sources of growth for the future.

Figure 2-4

What types of goods does Canada buy from other countries?

Canadian Imports, 1977-79
(000's $)

	1977	1978	1979
Live animals	52154	80413	75419
Food, feed, beverages and tobacco	3253587	3699994	4159194
Crude materials - inedible	5315714	5891543	7901083
Fabricated materials - inedible	6992825	8793005	12058846
End products - inedible	26296769	31083103	37914059
Special transactions trade	421221	389615	569082
TOTAL	42332269	49937673	62677682

Source: Statistics Canada, *Imports by Countries* Jan. - Dec. 1979

Where does Canada buy its imports?

	Value of Canadian Imports - 1979 (000's $)
Western Europe	6801978
Eastern Europe	326998
Middle East	1919901
Other Africa	418023
Other Asia	4286404
Oceania	616964
South America	2226031
Central America	689038
North America	45392344

Source: Statistics Canada, *Imports by Countries* Jan. - Dec. 1979

The Canadian Economy — Tomorrow: An Analysis of Present Characteristics and Future Prospects

3

In the preceding two chapters a number of characteristics of the Canadian economy were identified. These characteristics are too numerous to be restated but several of them do stand out as being of particular significance with respect to future change in the economy. Among these more prominent characteristics are the following:

(1) the relative inequality of income between individuals and regions of Canada;

(2) the continuing economic/social divisions between French and English Canada;

(3) the slowing down of the rate of growth of Canada's population, the increasing rate of labour force participation by women, and the "aging" of Canada's population;

(4) the relatively high level of material well-being of Canadians; the slower rate of economic growth in the 1970's; and the emerging concern over the need for greater efforts to "conserve" scarce resources;

(5) the major importance of foreign trade to Canada, the continuing importance of natural resource exports and the lack of large-scale involvement in export markets by Canadian manufacturing firms;

(6) the major growth in the size and scope of government participation in the economy in the 1960's and the 1970's; the emergence of continuing high rates of unemployment and inflation which the government has been unable or unwilling to control as of 1982; and increasing concern with the present constitutional division of fiscal responsibility between federal and provincial levels of government;

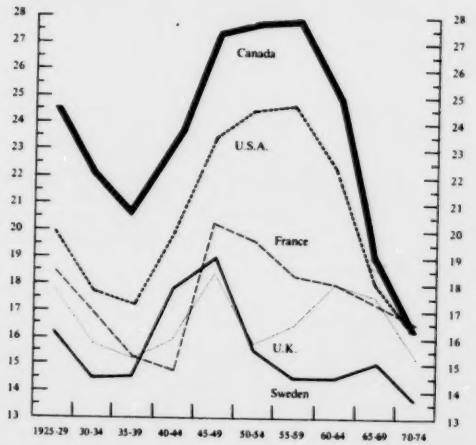
(7) the high rate of growth of the service sector of the Canadian economy and of service sector employment in Canada, and

(8) the high percentage of foreign ownership of Canadian resource and manufacturing industries.

Figure 3-1

How does the birth rate in Canada compare to other countries?

Birth Rates, Selected Countries,
1925-1974
(number of live births per thousand population)



Source: Department of Finance, Government of Canada, *Medium-term Projections and Targets*, Feb. 1978, p. 9.

Figure 3-2

How has Canadian population growth changed over time?

Rate of Growth of the Population
1901-1976 and Projected

	Total Population
Actual	
1901-11	3.0
1911-21	2.0
1921-31	1.7
1931-41	1.0
1941-51	2.0
1951-61	2.7
1961-71	1.7
1971-76	1.4
Projected	
1976-81	1.5
1981-86	1.3
1986-90	1.1
1990-95	0.9

*Source population refers to persons 14 years of age and over prior to 1975 and persons 15 years of age and over thereafter.

Source: Statistics Canada, *Estimated Population of Canada by Province*, Cat. 91-201 and *The Labour Force*, Cat. 71-001.

Source: Department of Finance, Government of Canada *Medium-Term Projections and Targets*, Feb. 1978, t. 11.

As Canada embarks on the decade of the 1980's these characteristics, and others, promise to generate important changes and new directions in the economy and the lifestyles of Canadians. Indeed, as the above list and parts of our previous discussion have already made clear, some of these changes are already underway. We turn now to analyze some of these characteristics and prospects for change under the following headings: 1) People and Jobs 2) Industry 3) Government and 4) New Directions.

People and Jobs

The birthrate in Canada has fallen over the period since the early 1960's. But it was the latter half of the 1970's before the slowdown in population growth caused by the lower birthrate began to have any impact on the labour force. It was not until the mid-1970's that persons born in 1960 reached the age at which they could begin to participate in the labour force. Even then the rate of growth of the labour force did not slow down significantly, both because the impact on the labour force of the so-called "baby boom" era of 1945-1960 was slowed down by the increase in university attendance and because of the increasing rate of labour force participation by women.

It will thus be in the 1980's that the full impact of the declining birthrate will be felt in the labour force. This impact will be reflected in a number of ways:

(1) a decline in the rate of unemployment below that experienced in the 1970's, as the growth in the supply of labour declines;

(2) initially, i.e., in the early 1980's, a swelling of the labour force, in percentage terms, in the age group of 25-64 and a decline in the labour force in the age group 15-24;

(3) in the longer term, i.e. the latter 1980's and into the 1990's, as the labour force continues to age, a larger proportion of the labour force at retirement or near-retirement age (assuming that age 65 continues to be the age of retirement).

Canadians who will be entering the job market for the first time in the 1980's can thus look forward to somewhat better employment prospects than existed in the 1970's when unemployment in the age group 15-24 was consistently well above the average unemployment rate for the entire labour force. As the percentage of the labour force in the over-25 age group rises in the 1980's because of "aging" of the

Figure 3-3

What is the age structure of Canada's population?

Population by Age Groups
(%)

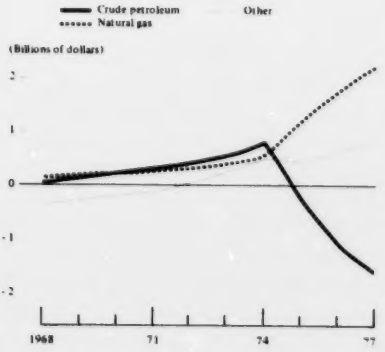
	1966	1971	1976	1977
under 15	32.9	29.6	25.6	24.9
0-4	11.0	8.4	7.5	7.5
5-9	11.5	10.5	8.2	8.0
10-14	10.5	10.7	9.9	9.5
15-64	59.4	62.3	64.4	66.2
15-19	9.2	9.8	10.2	10.2
20-24	7.3	8.8	9.3	9.4
25-34	12.4	13.4	15.7	16.1
35-44	12.7	11.7	11.3	11.3
45-54	10.4	10.6	10.8	10.5
55-64	7.4	8.0	8.4	8.5
65+	7.7	8.1	8.7	8.9
TOTAL	100.0	100.0	100.0	100.0

Source: *Canada Handbook*, 1979, p.42.

Figure 3-4

What is Canada's dependence on imported energy supplies?

Balance of Trade in Energy Commodities, 1968-77



Source: Economic Council of Canada, *A Time for Restraint*, Fifteenth Annual Review, 1978, p. 49.

labour force of the 1970's and a decline in the number of young Canadians coming into the labour force in the 1980's, there could well be implications for the rate at which workers, on average, can expect to be promoted to more senior, better-paying jobs.

As the "aging" of the labour force continues still farther into the 1990's, we will find an increasing proportion of the labour force reacning the present retirement age of 65. This could result in a change in the normal retirement age so that it might no longer be mandatory for workers to retire at age 65. Increasing strains can also be expected on pension plans as the number of persons drawing benefits grows at a faster rate than tne number of new workers who join pension plans. The cost of maintaining the old age security programme and other "senior citizen" programmes operated by government will also rise as the number of persons over 65 grows, increasing the cost of these programmes to taxpayers.

Finally, we might find Canada prepared to accept more immigrants in the 1980's as one means of augmenting population and labour force growtn and of providing more workers for particular parts of the job market.

The types of jobs Canadians hold and the environment of the work-place may also be expected to change in the 1980's. The growth of service sector employment can be expected to continue but we may see more manufacturing jobs created if the government is successful in achieving an industrial strategy adopted in the 1970's. This "strategy" is focussed on encouraging manufacturing that is able to compete in international markets and on encouraging further processing of Canadian natural resources in Canada before they are exported. We will examine tnese points in more detail in the section on "Industry" below.

The energy crisis of the 1970's will also continue into the 1980's and beyond. The increasing cost of energy and the physical need to conserve on energy use could have profound effects on Canadians' lifestyles. People are likely to seek to live closer to their place of work in order to reduce commuting distance. The length of the work week may well be reduced as businesses are closed for more days than the traditional weekend closing as a means of conserving energy. Changing the vacation period for schools and factories from summer to winter would produce a significant reduction in heating fuel requirements. Such a change may not be likely. Nevertheless, if it did take place, there would be profound effects on lifestyles, especially the leisure-time activities of Canadians.

The search for new energy sources, as well as for other natural resources upon which to base future industrial expansion in Canada,

is likely to prompt increased development of the Canadian North. Already in the 1970's, we have seen increasing attention being focussed on the North's economic potential with projects such as the James Bay Hydroelectric Development, oil and gas exploration in the Arctic, and proposed Northern oil and gas pipeline projects, such as the MacKenzie Valley pipeline. As Northern development continues, it can be expected that increasing job opportunities and prosperity will be created for the native peoples of the North. In the process the traditional lifestyle of these Canadians will be threatened even more than it has been already. The physical environment upon which this traditional lifestyle depends is certain to be altered. The people of the North will be increasingly exposed to the social and cultural lifestyle of southern Canadians. Southern Canada, in its efforts to exploit the economic potential of the North in order to preserve its own lifestyle and protect its own level of material well-being, could well destroy the unique social and cultural lifestyle of the North's native peoples. This is why native peoples are concerned that proper care be taken to protect their rights and cultural identity.

Finally, it has been stressed in Chapter I of this report that Canadians, on average, presently enjoy one of the highest standards of living in the world. During the latter half of the 1970's, however, the rate of growth of economic activity in Canada has slowed down. While it is by no means inevitable that this trend must continue in the 1980's and beyond, and while Canada is in a far better position in terms of its natural resource holdings and future potential, than many countries, there are many who feel that Canadians must begin to lower their expectations and become more prepared to accept a lowering in their standard of living.

In part, this view arises from an increasing concern that we are in grave danger of using up many of our scarce resources in a relatively short period of time, that is, within the next 20 to 30 years. Canadians today, it is argued, must be willing to make some sacrifices in their use, or consumption, of these resources in order to ensure that future generations of Canadians are guaranteed a supply of these essential materials. Further, however, the view that Canadians must be willing to lower their expectations arises from an increasing concern over the unequal distribution of income and wealth amongst countries.

Canada along with other western industrialized nations consumes a disproportionate share of the world's resources given its share of the world's population. Problems such as inadequate housing, inadequate food supply, unsafe drinking water, lack of education and lack of health care abound in many of the world's developing nations. Pressures have increased significantly in the 1970's for a more equal distribution

of wealth and income amongst countries, for more "sharing" of economic output between rich and poor nations.

Canada, through the Canadian International Development Agency and numerous charitable organizations, already provides aid to developing nations. But the total Canadian aid amounts to about 1/2 of 1% of Canada's annual national income. Many developing nations in the 1970's, despite the assistance they received from countries such as Canada, fell relatively farther behind in their economic position compared to western nations. In the meantime many of these countries continue to experience relatively high rates of population growth. On the basis of current birthrate India's population, for example, is expected to double between the years 1975 and 2000. By the year 2000 India will have over one billion people. Canada by the year 2000 is expected to have just under thirty million people. Such a contrast in the rate of population growth is both dramatic and significant.

If Canada and other "rich" nations do not show a greater willingness to share their economic wealth with the "poor" nations, it is argued, the world may be faced with upheaval, revolution, and war as masses of starving people fight simply to stay alive.

Certainly not all Canadians, or perhaps even many Canadians, accept the argument that a greater part of Canada's economic well-being must be shared with other countries. Many Canadians feel that it is more important to help Canada's "own poor" than "strangers" in another country. Many are unwilling to give up what they feel is theirs. Still others feel that the problems are so severe that nothing can solve them; so there is no point in trying. And some argue that those who favour greater global redistribution of income are simply "doomsday critics", that somehow answers will be found without major upheaval and military conflict. This view is based on the assumption that science and technology, which have played so great a role in the economic advance of western countries in the last two centuries and especially in the twentieth century, will again provide solutions.

The issue of global income redistribution is, like the issues of personal and regional income redistribution within Canada, not simple and straigntforward. Canadians are not unanimous in their opinions of what should be done. Nevertheless whatever Canada may decide to do in the future about global income distribution will have implications for Canadians as citizens of Canada and as citizens of the world.

Industry

In the 1980's Canadians can expect continued expansion of the service sector of the economy and of service sector employment. New technology, especially computer-communications technology, can be expected to contribute substantially to this expansion. This point will be discussed more fully in the section on "New Directions" below.

In the primary or natural resource sector Canada has embarked on a major exploration programme for new supplies of petroleum and natural gas. The Alberta Tar Sands Project, begun in the 1970's, will continue to be developed in the 1980's. As of the early part of 1982 new oil fields of commercial size appear to have been established offshore in Newfoundland and new natural gas deposits of commercial quantity appear to have been discovered offshore in Nova Scotia. It will be well into the 1980's, however, before either of these new discoveries have been sufficiently developed to begin to offer the oil and gas for sale.

A northern pipeline to deliver natural gas from the MacKenzie Delta region will likely be built to bring Arctic gas to southern Canadian and United States' markets despite the rejection of this project in the late 1970's. Further exploration work will continue and perhaps accelerate elsewhere in the North.

The traditional Canadian primary products of agriculture, forestry, and fishing are not likely to expand their share of total production activity. Indeed, these industries will probably decline in percentage terms.

The fishing industry has, perhaps, somewhat better longer-term prospects because of the introduction of the 200-mile ocean jurisdictional limit in the late 1970's. This extension of Canadian territorial waters has brought about a reduction in fishing activity in Canadian waters by foreign fishing boats, and consequently, an increase in catch for both Atlantic and Pacific fishermen. Very importantly, this will lead to growth in the Canadian fish processing industry, shipbuilding industry, and exports of fish and fish products.

In the shorter term these potential growth effects will not be that great because of the limits which have been imposed by the government on the size of the allowable catch of various types of fish. Fish are a renewable resource in the sense that fish reproduce themselves, unlike, for example, a resource such as coal or oil, which, once taken out of the ground, simply leaves an empty hole behind. But even renewable resources can be depleted if the rate at which they are "mined"

or used exceeds the natural rate of reproduction. This is what began to happen with many types of fish in the 1970's. The government-imposed limits on the amount of various types of fish which can be caught are designed to restore fish stocks to the levels required to maintain future supplies.

In the mining industry a potential, but as of 1982 uncertain, field of future development lies in the mining of minerals on the ocean floor. There seems to be little question that the ocean possesses vast quantities of minerals although the exact type, location, and size of deposits is not yet fully known. New advances in technology and ocean research will be required before this potential can be realized. As well, it may be a relatively long time, given the high cost of ocean mining versus land-based mining, before ocean mining becomes economically profitable.

Mineral exploration and mining activity can also be expected to increase in the North over the coming years. Once again, new technology adapted to the climate of the North may be a necessary requirement. In general, the oceans and the North are looked at by many Canadians as the new frontiers in primary products for the late twentieth and early twenty-first centuries. The reader will recall that the Prairies were viewed in a similar way a century ago.

Manufacturing industry in Canada has been described previously as being characterized by high-cost, small-scale, relatively inefficient producers, oriented primarily to selling in the Canadian domestic market under the protection of the Canadian tariff. At the same time, as has been noted, there is a view that Canada does have the potential to develop a more competitive manufacturing sector able to sell in world markets based in large part on the processing of Canada's natural resources in Canada. As has also been previously noted, this view may not be correct, appealing as it may be. Nonetheless there are several reasons to believe that over the next decade we may find out how correct this view is.

First, it is possible that over the decade of the 1980's Canadian tariff levels will be reduced and, in some cases, perhaps eliminated. Whether this actually happens will depend very much on the general condition of the economy. As we have noted previously, while it would be in Canada's long-term interests to reduce levels of tariff protection, in the shorter term such an action would be disruptive as the economy and workers were forced to make adjustments to the change.

As long as Canadian unemployment rates are high it is unlikely that any Canadian government would favour tariff reductions. Such a move would be likely to add to unemployment in the short-term.

Further increases in unemployment would be politically unacceptable. However, the prediction that unemployment will begin to fall in the 1980's because of the slower rate of growth of the labour force suggests that the government may have more freedom of action in this regard than was the case in the 1970's when unemployment was increasing.

In addition Canada has since the end of World War II participated with other countries in the so-called G.A.T.T. (General Agreement on Tariffs and Trade) negotiations. This is a United Nations sponsored effort to promote trade and reduce trade barriers between countries. These negotiations have produced some tariff reductions in Canada and other countries in the period up to 1979. However these reductions were either of little significance or were offset in their effect as countries raised levels of protection in other areas or by other means such as the use of quotas.

Quotas place a limit on the quantity of a particular good allowed to enter a country as opposed to a tariff which taxes the good if it enters the country. The two produce essentially the same result: by restricting supply (use of a quota) prices will typically rise while by taxing the product (use of a tariff) prices will rise causing demand for the product to fall. In both cases the end result is higher prices and smaller quantities of imports.

A new G.A.T.T. Agreement was signed in 1979 which promises to be more significant than previous agreements. Negotiations on further reductions will continue in the 1980's. As, and if, Canadian tariff levels fall the Canadian manufacturing sector will be forced to become more competitive in order to meet the challenge of the new lower-priced import goods. As other countries reduce their tariff protection and other trade barriers Canadian manufacturers will gain freer access to foreign markets and manufacturing exports should rise.

Second, Canada has become committed to a policy of gaining the maximum possible advantage for Canadians from the exploitation of Canada's natural resources. Such a policy means, among other things, that greater attempts will be made to encourage the processing of Canadian natural resources in Canada whenever feasible.

Third, Canada during the 1960's and 1970's became increasingly conscious of the potential negative implications of foreign ownership of Canadian industry. As has been previously noted foreign ownership of natural resource industries has probably contributed to the lack of greater processing of resources in Canada; foreign ownership of manufacturing industries has probably contributed to the dominant domestic market orientation of Canadian manufacturing.

Canadians are still divided on the relative merits of foreign ownership, given their differing value judgments as to the desirability of greater economic independence. Nevertheless an increased consciousness of the issue has clearly generated pressure for the government to make a greater effort to control the possible negative results of foreign ownership. Certain measures have already been introduced in this regard. Foreign-owned companies in which Canadians hold at least a 25% interest have received preferential tax treatment since the 1960's. Legislation passed by Parliament ensures Canadian control of broadcasting and magazine publications in Canada. In 1971 the government created the Canada Development Corporation, a joint private-public concern created to promote Canadian ownership in new industrial ventures.

In 1973 the Foreign Investment Review Act was passed establishing a process for government review of new foreign-ownership in Canada. This review process gives government the power to disallow new foreign investments which it does not find satisfactory. Included among the assessment criteria are the effect of the proposed investment on the level of employment and resource processing in Canada and the degree of Canadian participation, or ownership, in the venture. In the view of some this Act suffers from the fact that it places no controls on existing foreign-owned companies. Nor does it control the future expansion of existing companies except when such expansion involves new areas of business not directly related to the companies' existing activities. These defects in the Act might be remedied, however, early in the 1980's.

Thus, given the possibility of reductions in levels of protection offered to Canadian manufacturing, emphasis on encouraging resource processing of Canadian natural resources, and increased efforts to control the potential negative implications of foreign investment, the manufacturing sector is likely to steer towards greater development of its export potential in the 1980's.

Government

Government involvement and participation in the economy of Canada has grown considerably since World War II. Some of the reasons for this growth have previously been examined; we have also considered the issue of what the appropriate size and scope of government activity should be. This discussion will not be repeated again. Some general comments about the direction of total government activity in the 1980's will, however, be offered.

First, despite the growing concern evident during the late 1970's among some Canadians, especially within the Canadian business community, over the growth of government and the increasing size of the government budgetary deficit and the national debt, it is unlikely that there will be a decline in the size and scope of government activity during the 1980's. It is only through government that many Canadians perceive themselves as having any ability, however slight, to control the important economic, social, and cultural conditions which greatly influence their lifestyles.

This is not intended to suggest that all Canadians support all the measures adopted by government. It is not to suggest that all the actions taken by government are even intended to satisfy all Canadians. Rather it is to suggest that in today's increasingly complex world many Canadians increasingly feel that a strong government is required, whether they agree with individual government actions or not.

Second, while the present degree of government involvement in certain areas might diminish, for example, in reducing the instances of direct regulation of industry by regulatory tribunals it is likely that there will be greater government involvement in other areas.

Already in this section we have noted several changes for the 1980's which may call for an expanded role of government. Energy, for example, is an area where the government will clearly play an expanded role. Indeed, this expanded role has been evident since the mid-1970's through such measures as the formation of Petro-Canada.

Third, we have been unable to solve the continuing and simultaneous problems of inflation and unemployment which characterized the 1970's. An increasing number of economists and others are advocating the introduction of a permanent system of "income controls" as perhaps the only feasible way of handling these problems. Canada had a policy of wage and price controls for almost three years between 1975 and 1978. Those controls, administered by the Anti-Inflation Board, were not popular in many parts of the economy, especially among unionized workers. Canadians in 1982 continue to be sharply divided in their support of control programmes. But if the problems of unemployment and inflation, especially inflation, persist in the 1980's the government might well turn to a controls programme again. This time, perhaps, a controls programme might become permanent.

A permanent controls programme, should it be implemented, would represent a major new activity of government. It is an action wnich could also lead to a major expansion of the direct role which the Canadian government plays in "planning" the economy.

Throughout Canadian history in general, the role of government in planning the economy has been largely in the form of assisting the private sector in attaining certain goals which the government deemed desirable. Otherwise government has tended to leave the private market relatively free to pursue its own goals. The way in which a private market system "plans" is through the decentralized signalling mechanism of the price system. New ventures are entered into if the economic profits (rewards) are great enough. New production techniques are adopted if the cost savings make them warranted. Resources are used where they will realize their greatest return (reward).

If we have a permanent system of controls, however, this planning function of the price system may be unable to work. If prices cannot move in unrestricted fashion or if increased economic rewards cannot be retained by individuals or corporations then the private economic incentives for change towards more efficient use of resources and more desirable combinations of products will, potentially, be lost. If the market system of resource allocation cannot work the government may have to assume this function itself. More direct economic planning by government will be the result.

As of 1982 nothing more definite can be said as to how the size and scope of government activity may change in the 1980's. There are sufficient areas in which government might expand its presence that the scope of government will undoubtedly change as either new activities are added to old ones or new activities are substituted for old ones. It is very doubtful that the size of government will be reduced during the next two decades.

A somewhat different, though nonetheless profound change in government may occur in the 1980's as a result of constitutional change. Two characteristics of the 1970's suggest this possibility:

(1) the separatist movement in Quebec, even if it does not lead to the separation of Quebec from the rest of Canada, has already generated and will continue to generate strong pressure for a new constitutional division of powers between the federal and provincial governments of Canada; and

(2) with the increasing importance of energy and the preeminent position of Western Canada as a source of domestic oil and gas, there has been a discernible shift in the traditional economic balance between provinces; accompanying this shift there is increasing dissatisfaction with the division of economic powers between federal and provincial levels of government.

The division of powers between the federal government and the provinces was set out in the British North America Act in 1867. The division created there was intended to ensure a strong central government with the necessary powers and means (taxation revenues) to implement the economic goals of Confederation as described in Chapter II above. It was the federal government which, under the B.N.A. Act, was vested with exclusive jurisdiction to regulate trade and commerce, to regulate banking and currency, to regulate railways and telegraph service, to impose "indirect" taxation, and to legislate in relation to all matters not exclusively reserved for the provinces. The provinces, under the B.N.A. Act, were limited to acting in only sixteen fields, among which were: direct taxation, education, "matters of a merely local or private nature in the Provinces", and "Property and Civil Rights in the Province".

In 1867 this division clearly favoured a strong federal government. Direct taxation, allowed to the provinces, was unknown at the time. Indirect taxation primarily through the use of tariffs, was the principal source of government tax revenue. Railways and telegraph service were the principal instruments of transportation and communications. Exclusive control of these by the federal government was equivalent in 1867 to giving the government today exclusive jurisdiction over all transportation and communications services. All residual powers were vested in the federal government. Finally, the powers which the provinces received in 1867 were regarded as relatively unimportant ones at that time.

Over time, however, the situation has changed considerably, primarily for two reasons:

(1) interpretation of the B.N.A. Act by the courts has narrowed the range of federal powers, primarily by limiting the situations in which the general clause granting all residual powers to the federal government can be applied and by broadening the range of provincial powers, primarily by expanding the areas falling under "property and civil rights"; and

(2) over time certain areas such as social services, health, and education, which were relatively unimportant spheres of government activity in 1867 have become extremely important arenas of government action.

One of the major problems which the Canadian federation has always had is that all of the provinces do not have equal financial ability on their own to provide equivalent levels of services in all parts of the country. This problem has increased over time as court

rulings and practice have changed the relative division of federal/provincial constitutional powers. To cope with this problem an elaborate system of tax-sharing arrangements, "leasing" of powers to the federal government, and transfer payments has evolved to equalize the abilities of each province to provide certain government services, to provide relatively uniform levels of service in all parts of the country and to redistribute income between "rich" and "poor" provinces.

Quebec has long been an exception to many of the tax-sharing and leasing agreements. Quebec has believed that participation in such arrangements would further increase the influence of the federal government in Quebec and erode the position of Quebec as the only provincial government in which French Canadians had a dominant position. Thus, for example, Quebec has elected to have its own income tax system. The other provinces base their income tax on the federal tax and the tax is collected on behalf of the other provinces by the federal government. Quebec has also opted to operate its own medicare plan, its own pension plan, and many other important programmes. Generally speaking, the other provinces operate these kind of programmes in partnership with the federal government or let the federal government maintain the programmes by itself.

Quebec has not, however, regarded these arrangements as sufficient to satisfy the aspirations of French Canadians to preserve their cultural heritage or to provide for adequate power in the making of economic and political decisions which affect Quebec's citizens. The separatist movement in Quebec in the 1960's and 1970's was founded in the belief tnat only through political independence could Quebec ever achieve adequate control of its own destiny. The election of the Parti Quebecois in 1976 made national unity and the issue of Quebec separation one of the major issues of the latter 1970's. While it is perhaps doubtful that Quebec will separate from the rest of Canada, Quebec will undoubtedly attempt to negotiate with the federal government and with the other provinces on new constitutional reform during the next decade. Undoubtedly too, the aim will be to ensure that Quebec has greater control over important areas such as broadcasting, language rights within the province of Quebec, immigration to Quebec, and taxation.

As the West, especially Alberta, has experienced strong economic growth in the 1970's, sparked by the growing wealth generated by oil and gas resources, there has also been discussion of constitutional reform. Albertans would like more control over the price of oil and gas, the markets in which their oil and gas is sold, and the way in which the wealth generated by Alberta's oil and gas is shared with other parts of Canada. In the east, Newfoundland maintains that the province should have jurisdiction over the fisheries. Newfoundland with the prospect of major oil discoveries offshore has also been arguing that offshore oil should be regarded as coming under provincial jurisdiction, just

as land resources in the provinces are. Thus, there is considerable interest by a number of provinces in constitutional reform which would give the provinces greater spending and taxation powers while decreasing those of the federal government.

Such change is not obviously desirable though the cultural aspirations of French Canadians do make the case of Quebec somewhat different. Canadians are also far from unanimous in their views on whether such decentralization of government should occur and, if it does, in what areas and by how much. The constitutional debate does, however, have potentially major implications for Canadians in how they are governed. In particular the debate has implications about the quality and quantity of government services Canadians receive and the amount of taxes Canadians pay, depending on where in Canada they live.

New Directions

Many of the possible changes in the economy of Canada and the economic lifestyles of Canadians which may take place in the 1980's are likely to bring about major departures from Canadian experience. Some of these changes are already underway; others are yet to come. Together they suggest some major new directions for Canada in the years ahead.

The potential opening of the North to economic development could give Canada a new frontier of exploration, akin to the role played by the Prairies at the end of the nineteenth and the beginning of the twentieth centuries.

A realignment of powers between federal and provincial levels of government, if it is significant, could change many of Canada's governmental institutions and could lead to a reappraisal of the transfer payment system which has been used by the federal government as a means of redistributing income amongst regions in Canada. The present system has sought to equalize the average level of well-being of Canadians in all parts of Canada, and to ensure equal access by all Canadians to certain government services, especially in the realm of social welfare programmes and education. If this transfer payment system should be discontinued in its present form then the extent of regional disparity could become even more severe than it has been.

The need to conserve scarce resources, especially non-renewable resources, and to offer increased protection of the environment could produce signfiicant changes in the economic lifestyles of Canadians.

The problems posed by the need to conserve energy are particularly noteworthy in this regard.

The importance of technology to these areas and others has already been noted. Technology has had a profound influence throughout the twentieth century. The government, for its part, embarked in the late 1970's on a new programme of support for research and development activities in Canada. While Canada has received large benefits from new technology and has been relatively quick to take advantage of new technology when it has become available, Canada has never developed its own research and development sector to the same degree as most other industrialized nations. This is regarded by some as a boon, and by others as a bane, of foreign ownership in Canada.

Canada is, however, attempting to change this situation and by 1983 government policy calls for 1.5% of national income to be devoted to research and development expenditures undertaken in the private and public sectors with particular emphasis on government helping to meet the needs of Canadian industry for new technology. New technology will be crucial for the successful development of Canada's northern and ocean frontiers.

One of the important areas of new technology which deserves special mention is that of computer-communications services. It is no exaggeration to say that computers have, in the period since World War II, already revolutionized ways of doing business in Canada. Computers have also already had a major impact on the lifestyles of Canadians. Further advances in computer technology coupled with advances in the transmission of data and computer-based information over the telecommunications network will further intensify these developments in the years ahead.

It has been said that the world is entering the "information-processing" era, where computer-communications systems will make information available virtually instantaneously anywhere in the world. Already it is estimated that approximately 40% of the Canadian labour force is in the "information sector". This growth in past years has contributed to part of the increase in service sector employment which has been previously noted. Over the next decade it will be an important source of further expansion in service sector employment.

The workplace of Canadians who are part of the information sector can be expected to undergo significant change in the 1980's as this new technology is increasingly adopted by business firms. Office functions can be expected to become increasingly automated as word-processors replace typewriters, computer-information files replace filing cabinets, and as telephone answering devices, perhaps working

through a computer, route and deliver messages within companies, to cite just a few examples.

It is possible that a decentralization of offices will occur. Workers may operate in smaller units in locations that are physically separated from many of their co-workers with contact between units maintained by means of a computer-communications system. The extreme case of decentralization would be for workers to stay in their homes equipped with a computer terminal and communications system which, together, relay work instructions and process completed assignments. This latter possibility may not be likely but it is technologically possible.

Management of business firms will also be affected. Information will be more readily available and more quickly available as computerized data banks become increasingly popular. Managers in one branch of a company will be able to communicate almost instantaneously with managers in other offices, even those half-way around the world. Such activities as accounting, recordkeeping, and forecasting will be carried out with computers. Information will be stored in computers. Teleconferencing, the simultaneous audio and visual contact with another party via communications, may substantially reduce business travel. The home lives of Canadians may also be profoundly affected. Electronic mail, electronic banking, and home shopping, via television-computer-communications systems, are all developments which could happen in the 1980's.

These events as just described are significant for several reasons. First, they will clearly produce major changes in Canadians' lifestyles, both at home and at work. Second, new employment opportunities will be opened up by these developments. Major new industries set up to "supply information" of all types will potentially develop. Third, many present industries such as newspapers, publishing firms of all kinds, office equipment suppliers, and retailers may be forced to make significant changes in their products or in their way of doing business as electronic messages replace, more and more, the printed text; as computers replace conventional office equipment; and as customers "shop" by machine rather than in person. Fourth, Canada is potentially in a highly advantageous position to produce and sell the new types of equipment which these changes will require. There is significant potential for creating a major new highly technological manufacturing industry with major export sales. Already in the late 1970's Canada pioneered a new video-text system known as Telidon which is technologically superior to similar type systems developed previously by Great Britain and France.

Telidon is a system which converts a television set into an information-retrieval system. In time Telidon will permit the conduct of business, the taking of educational courses, and the sending of mail directly to and from the home using a modified T.V. equipped with a telephone hook-up and tied to a central computer.

While the technology now exists to permit all of this it may still be some time before really significant changes take place. The economic viability, or relative cost, of the technology is proven for some uses but not yet all. More importantly Canadians, both at work and at home, will have to accept these changes in lifestyle before the technology can be successfully adopted and sold. Market acceptance will be a crucial determinant of the success of these ventures. Already, field trials of the Telidon system are taking place in several hundred Canadian homes. As the technology becomes more developed and easier to use and as Canadians become more accustomed to the new technology and its potential, acceptance is likely to follow.

Conclusion

The preceding discussion has outlined areas of probable change in Canada's economy over the next decade or more. It should be clearly understood, however, that any forecast of the future is necessarily an uncertain exercise. Not all of the changes outlined here will actually occur. Other changes, which there is no way of foreseeing at this time, will occur. The time period in which changes will take place may be longer or shorter than has been suggested here. With all of these reservations, however, the fact still remains that Canada's future looks brighter, more promising, and more exciting than that of many other countries.

Canadians should continue to enjoy high standards of living. Canadians should continue to enjoy lifestyles which are technologically advanced and which provide increased leisure time. Canadians can look forward to meeting the challenges of opening up new frontiers in the North and under the oceans. Canadians must also meet the challenges of poverty, of pollution, of foreign ownership, of constitutional reform, of energy conservation, of resource management, and of world-wide income redistribution. If Canadians are to enjoy their position in a climate of peace and stability solutions for these problems must be found.

Teachers' Notes

by
Barry Lesser
Bruce Roald

Teachers' Notes

This book *Canadians and Their Economy: Today, Yesterday and Tomorrow*, is intended to serve as a general introduction to the Canadian economy and its impact on the lifestyles of Canadians. It is intended for use by teachers at the junior high school level seeking to introduce the study of Canada's economy into their social studies curriculum. While the book is intended as background reading for teachers it is possible, depending on the grade level being taught and the reading/comprehension level of the students involved, that all or part of the book might also prove useful for direct student consumption.

These notes, written to accompany the monograph, are intended to serve two general purposes:

(1) taking the book as an information source for teachers, to explore various ways for teaching the Canadian economy at a junior high school level; and

(2) taking the book as potentially useable directly with students, to explore various ways that such use might be best accomplished.

Because the authors believe that the book is best seen as a teacher resource rather than a direct student resource, most of the following discussion will focus on the first of the above purposes. In the process, however, some suggestions for the direct use of the material with students will emerge and the final section of these notes will more explicitly discuss this issue.

What Should Be Taught

No effort will be made here to convince teachers reading this material that the Canadian economy is an important component to be included in a junior high school social studies curriculum. Social studies is concerned with the study of man and the interaction of man with his environment (social, cultural, political, economic, and physical). The question of how man organizes his economic life and the

relationship between economic phenomena and other facets of this environment are essential components of such study. The benefits of, indeed the necessity of, including economic subject matter in the social studies curriculum should therefore be evident.

If this conclusion is accepted the question remains, however, as to "what should be taught about the Canadian economy?" remembering of course that the audience is one of junior high school students.

At a general level there are two approaches which can be taken to this question. On the one hand the approach may be an essentially *descriptive* one. In this case, the content would focus on describing features of the economy and the economic lives of Canadians – what goods and services are produced, who produces them, where various goods and services are produced, what jobs people hold, what role government plays in the economy, and so on.

On the other hand the approach taken may be an *analytical* one, where, in addition to describing features of the economy and economic lifestyles, one also asks questions about them. Why does Canada produce some goods and services and not others? Why is there so much foreign investment in Canada? Should Canada share its wealth and prosperity with other, less-privileged countries? What causes technological change?

While it is certainly of value for students to acquire a factual knowledge of the Canadian economy, as would result from using the descriptive approach, it is strongly suggested that this in itself is an unreasonably limited objective to set for the average student. The study of Canada's economy and the economic lifestyles of Canadians is more than just a mass of facts and miscellaneous information. To truly begin to *understand* the major characteristics of the economy and the major economic issues of the country, the interaction of economics with politics, social systems, and cultural values, a sense of how we have got to where we are and where we are going – these all require *inquiry* and *analysis* of the facts, not just the facts by themselves. In other words, the facts need to be used not merely stated. In the process students' abilities to reason, to inquire, to critically evaluate, all important pedagogical objectives in their own right, will be strengthened considerably. It is through questions that hypotheses are generated and learning takes place.

At a more specific level the content of the monograph itself presents a wide selection of topics for classroom discussion – jobs, industry, government, trade, foreign investment, development and growth, and so on. One of the important points to remember in treating any of these topics is that they are not solely economic questions/

issues. As is outlined in the introductory section of the book in the discussion of themes to be found in the text, economic issues are closely associated with questions of political power, independence and political destiny, with aspects of the quality of life in Canada, with the physical geography and resources of Canada, with tne culture of Canada and with Canada's relationships with the rest of the world. While not all topics discussed in the book toucn on eacn of these all of the topics do touch on some of these. Striving to have students recognize the multidimensional character of Canadian society is an important goal to aim for in the social studies curriculum. Recognition of the linkages between all facets of a society and hence of the complexity of that society is an important realization for students to reach. For the very reason that economics is an important element to include in the social studies curriculum none of the other elements of tne social studies should be excluded. Finally, as an important part of this process, an emphasis on the multidisciplinary character of the topics treated will also serve in most instances to identify the values inherent in the decisions Canadians have made and are making with regard to these questions. Recognizing value judgements, recognizing where they exist either implicitly or explicitly, recognizing wnere so-called "objective analysis" leaves off and value systems take over are equally important pedagogical objectives to aim for in a social studies curriculum.

Teaching Methodologies

When one turns to the question of how to teach about the Canadian economy to a junior high school audience there is, unfortunately, no easy answer. However, a number of general suggestions and comments can be offered:

1. It is important to appreciate that teaching about the economy and economic lifestyles does not necessarily mean teaching economic theory in the conventional sense. Economics typically is taught using a deductive methodology, proceeding from theory to application. Especially for a junior high school audience, this is not appropriate.

2. An inductive methodology, which begins by examining actual features of the economy – past, present, or future – suggests itself as a far more appropriate methodology to use. Such an approach, by beginning with real situations, situations with which students can identify in terms of their own environment or other parts of their curriculum, will be of more interest to students and hence, of greater impact as a learning experience. Formalized economic theory

(not to be confused with analysis) should be used very cautiously and only when absolutely required.

3. Just as a certain caution should be exercised in the use of formalized economic theory, so too caution should be taken in the use of formal economic language or vocabulary. A certain number of terms (e.g., production, markets, trade, resources) are unavoidable and indeed may be desirable since, properly chosen with some moderation in numbers, the vocabulary development of students can be furthered. Specialized vocabulary, however, should not be used unnecessarily. Economics has over time built up a large "professional" vocabulary which has become akin to a technical jargon. Too much of this applied indiscriminately will only serve to confuse students and obscure the main teaching objective. *Discussion should be phrased in the simplest language possible, consistent with getting the point across.* For example, it is far better to say that "consumption of oil goes down very little as the price of oil rises because oil is a necessary good and one for which there are no, or few, substitutes immediately available" than it is to say "the demand for oil is highly price inelastic, especially for the short run". These statements in fact say exactly the same thing but, quite clearly, a fourteen-year-old student is far more likely to understand the first version than the second, even if all the terms used there are first defined.

4. While it is possible to develop discrete curriculum units on the economy and while some teachers may prefer to approach the subject in this fashion, a reasonably strong case can be made for using an interdisciplinary approach, integrating economy-related discussion into existing curriculum units in Canadian history, Canadian geography, Canadian government, and so on. As has been argued above, social studies is by its nature interdisciplinary. Social studies subject matter is necessarily multidimensional in character. If discrete curriculum units are formed for each discipline in the social sciences at too early a stage in the learning process, there is a great risk that students will fail to properly appreciate this multidimensional character of the subject matter. This is especially true for economics-related material because economics is the most formalized of the social sciences in terms of language and theory, and hence can be quite easily taught without reference to the larger environment within which economic events and decisions take place. The ease of teaching something,

however, should not be confused with the value of the learning experience.

5. For those teachers who nonetheless feel that there are major advantages in developing discrete curriculum unit(s) on the economy and the economic lifestyles of Canadians, topics to be included should be chosen in part because they demonstrate the multi-dimensional character of social studies. The text itself emphasizes economic lifestyles as a major theme precisely for this reason. Explicit integration of different disciplines within the same curriculum unit(s) is not the only way to emphasize an inter-disciplinary focus.

6. In terms of actual teaching methods, emphasis should be placed on using interactive learning methods. Case studies, films, games, simulations can all be used and all have a place. The possible range of options is limited only by the availability of materials and/or the teacher's own inventiveness and imagination. Some suggestions on useful materials and sources of information on materials are offered in the bibliography section below.

How to Cope With Teaching Economics

A major problem likely to be encountered in introducing study of the economy into the junior high school curriculum is that the majority of teachers at these grade levels are not likely to have a very extensive background themselves in economics. This, however, should not be seen as an insurmountable problem.

The book itself is designed to begin to give teachers some of the informational and analytical background which is required and, in the process, to allow teachers to identify topics and issues for more extensive follow-up from other sources if this is required.

It is also extremely important for teachers to remember the point stressed in the "Teaching Methodologies" section above that teaching about the economy, including the analysis of economic phenomena, is not synonymous with teaching formal economics. This is not to say that the teacher will not have to know some economics for himself. But it does mean that a *detailed* understanding of economic theory, with its specialized vocabulary and all of its nuances, is not required.

It is also relevant in this regard to reiterate another of the points made in the methodology section that there is a strong case to be

made for teaching about the economy and economic lifestyles by integrating such material/discussion into existing social studies curriculum units. Such a strategy offers the advantage, in addition to those previously mentioned, of allowing the teacher to introduce the economic subject matter within a discipline context with which he/she is more familiar and more comfortable. It also allows for greater flexibility in the "amount" of economic subject matter introduced and in the selection of the topics themselves since the continuity for the curriculum unit now comes from the other discipline rather than the economics, as would be the case with a discrete economics unit. Finally, teachers may find it useful to obtain (through the Canadian Foundation for Economic Education) a copy of another study done by the authors which outlines an economics framework for use in the teaching of economic subject matter by teachers who do not have a prior background in the subject. (See bibliographic listing below for Lesser/Roald, *Teaching Economic Concepts in the Social Studies*.)

Specific Comments on the Text

The discussion to this point has been primarily concerned with the general issue of teaching about the Canadian economy. In this section, our attention turns to a more specific consideration of the monograph itself.

A In Chapter I, discussion focusses on the Canadian economy of today. It begins with a discussion of jobs and lifestyles and proceeds from there to a discussion of the major sectors of the economy (resources, manufacturing, services, government, and trade) and, finally, returns to the question of jobs and lifestyles. In the process, analysis is offered on the issues of unemployment, tariffs, foreign ownership, trade patterns, and the role of government, among others. Beginning and ending with the discussion of jobs and lifestyles creates a context for the other discussion with which students can more readily identify, as it is more a part of their own environment. While this same unifying theme need not be used by teachers seeking to explore some of these same issues, it is suggested that a comparable vehicle should be found, if the monograph theme is not used. Otherwise, much of the other material may come across as too abstract and/or remote.

Much of the material in Chapter I is tied very closely to the discussion of Chapter III on prospects for the future. Teachers who do not use the monograph in its entirety should, therefore, link up relevant sections of Chapters I and III on specific topics/issues. Neither the entire monograph nor the individual chapters need be used in their entirety. Particularly if the monograph is to be read directly by students,

the level of discussion, especially in some of the more anlaytical sections, may not be at an appropriate level and, hence will need to be translated into simpler terms by the teacher before being used with students. Moreover, if the economics-related discussion is introduced via an interdisciplinary framework using existing curriculum units not all of the topics treated in the monograph will necessarily have a place in the curriculum. On the other hand, under such an approach some very obvious opportunities for using parts of the monograph emerge as, for example, using the section on government in a civics course or using the resource sector section in a geography course.

B In Chapter II the discussion turns to the Canadian economy of yesterday, examining the historical development of Canada's economy and Canadians' economic lifestyles from the time of Confederation to the 1950's. This section is an important one for several reasons:

1. An understanding of the historical development of the economy can significantly help students in understanding present characteristics of the economy and prospects for future change. Knowing more about how we have got where we are can greatly assist in understanding why things are the way they are.

2. An understanding of the economic problems and issues of the past underscores the point that relatively few of Canada's "current" problems are, in fact, new.

3. An understanding of how past events have helped shape the economy of today, in turn, will help students appreciate better how the events of today will be instrumental in shaping the Canada of tomorrow. It is sometimes difficult for relatively young students to appreciate future time dimensions; their future time horizon is likely to be a very short one. It is important, however, that there be some appreciation of how ten, twenty, even fifty or one hundred years from now, future generations of Canadians will have to contend with the implications of decisions and actions taken today in areas such as conservation, population growth, consumption versus investment, non-renewable resources, industrial development, energy, and so on. While the economy of tomorrow is the subject matter of Chapter III and is discussed below, the point to be made respecting Chapter II is that history can aid tremendously in this process because, having already happened, the linkages between events in time can be more readily seen and understood.

4. Finally, on the more pedagogical side, the opportunities for integration of economics-related subject matter with the existing social studies curriculum are perhaps greatest in the area of history. Canadian history is a curriculum subject in every province at the junior high school level. Typically, however, the emphasis in such courses, as judged by prescribed texts at least, is that of political and, to a lesser degree, social history. Economic history seems to this point to have been sorely underrepresented in the history curriculum. Not only then is history an available and useful vehicle for introducing the study of Canada's economy, but it is an area where the existing curriculum typically has been quite deficient.

C In Chapter III the book attempts to summarize/synthesize the major lessons to be learned from the preceding two chapters and to project this into the future, looking at the Canadian economy of tomorrow.

Teachers using this chapter may want to have students speculate on possible changes which may develop, based on the information provided, before presenting any of the predictions/forecasts made in the text itself. For example, students could be given the information on birth rates and population growth in Canada and asked what impact these trends are likely to have on the size of the labour force, on job prospects for new workers, on immigration, and so on.

It is very important in dealing with the question of future change that students understand the nature of a forecast and the qualifications which must be attached to such forecasts. As is emphasized in the book itself, "any forecast of the future is necessarily an uncertain exercise". Students need to appreciate that neither the authors of the monograph, classroom teachers, nor anyone else can say *definitely* what things will be like fifty years from now or, indeed, one year from now.

D Throughout the book pages of data or short readings and case studies are to be found interspersed with the main text. For example, in Chapter I there are such inserts dealing with the population size of the provinces, the occupational structure of the labour force, mineral production, and so on. These sheets are intended to help explain or amplify upon various sections of the main text. They are not, however, directly referenced in the main text. The reasons for this are, first, in the case of statistical tables and charts, to allow teachers to update the numbers for themselves. At the same time the text itself, because it contains no statistics directly, does not become outdated by this fact alone. Second, by presenting all direct sta-

tistics in this fashion, i.e. on insert pages, various exercises which make use of the statistics can be more readily introduced in the classroom. Analyzing the numbers to see how they can support certain conclusions in the text of the monograph, for example, could prove to be a very useful exercise not only as an aid to students in understanding the subject matter better but also as a means of enhancing numerical and numerical reasoning skills. Taking tables of statistics and making them into graphs, computing percentage changes over time, and discerning time trends are just some of the other possibilities which present themselves.

E It is simply not possible within the confines of these brief notes to enter into a detailed discussion of how each part of the monograph might be approached from a content point of view, where in the curriculum each part might be used, or how teachers might present each part to their students. These are not questions about which it is possible to be prescriptive in any event; the best that can be done is to offer suggestions. Ultimately each teacher must decide what works best for him/her and what is possible given the students' and the teacher's interests and abilities. Some effort should be made, however, to make the learning experience gained in studying the economy and economic lifestyles an interactive one. Students should be involved actively in the learning process rather than simply passively receive information. Analytical skills cannot be learned merely from listening to someone else's analysis; they must be practiced. Reading and discussion of the book itself should be interspersed with various student exercises such as those that are possible with the statistical tables or reading inserts. Students should be encouraged to seek out conclusions before they are presented with someone else's or, if presented first with someone else's, to analyze how such conclusions were reached. Follow-up exercises such as debates, field trips (visiting a factory, for example), outside speakers, etc., should be considered as a means of reinforcing the learning experience and of fostering the development of skills related to identifying and enunciating generalizable conclusions which can be gleaned from one situation and applied to others.

F As an example of how a particular topic might be approached in the classroom, consider the topic of "the role of government in the economy". Government is discussed explicitly in Section I and Section III; as well, many of the other topics in both of these sections, especially Section III, touch on the possibility of government action or the implications of government policy, while government policy and action is a central theme of the historical discussion of Section II. Since the purpose of our discussion right now is simply to provide an illustration of how to treat this topic we will take all of these separate pieces together. This does not imply, however, that this is the only, or the best way of handling this in the classroom. A teacher who chooses to

work through the text in the classroom as it is presented will treat each part as it comes along. Alternatively a teacher who chooses to use parts of the material in integrating economic issues with other units of study will use some, but not necessarily all of these parts. Whatever the teaching strategy chosen, however, certain general objectives will be the same while specific objectives vary according to the specific context. In the latter case then, a modification/adaptation of what follows may be required but the basic form of the inquiry will likely remain the same.

Major questions to consider

1) What Does Government Do?

The book contains a variety of examples of government economic activities, but it is by no means exhaustive. A class may want to include a number of things which occur from their own experiences as opposed to being found in the monograph. As the list grows, teachers may want to have the class begin to consider possible groupings which will identify general areas of government activity. Suppose, for example, that the list included the following items, along with many others:

- family allowance payments
- unemployment insurance payments
- old age security
- regional development
- medicare
- student loans
- progressive income tax

All of these items, once they have been listed, might be grouped together and labelled "Income Redistribution", thus identifying a major policy goal of government and a number of the particular programmes which have been undertaken to help achieve this goal.

2) Why Does Government Do These Things?

The reasons for government doing certain things is typically a more difficult question to deal with than the identification of what government does. One useful way of approaching this question might be to have the class consider the implications of not doing it. For example, suppose the government activity in question was the regulation of Canadian content on Canadian television stations. If there was no such regulation what would happen? Based on students' own

viewing preferences, the answer to ultimately emerge will probably be that U.S. programmes would be shown in most cases instead of Canadian programmes. In turn this would mean little production taking place in Canada which would mean that Canadian actors, artists, technicians, etc., would be unable to find much work in Canada; it would mean that Canadians would watch programmes reflecting another country and another culture rather than their own country and culture. Thus, we can deduce that the government's reason for requiring a certain minimum proportion of Canadian content on Canadian television is to help preserve a strong independent, artistic sector in Canada capable of reflecting Canadian culture and Canadian values.

In seeking to rationalize government actions, it is very important that students realize that the reasons for doing something do not automatically justify what is done or how it is done. Using the example just given it is noteworthy that most Canadians would not choose to watch very much Canadian programming if they had a choice. The government feels it is important that they should. Which view you agree with is a value judgement and should be recognized as such. Even if one agrees with the desirability of fostering Canadian programming, is regulation of the minimum Canadian content broadcast the only or the best way to do this? Many critics have charged that this has produced mediocre Canadian programmes since quantity, not quality, is the criterion government has chosen. Instead, government could subsidize the cost of producing higher quality Canadian programmes, which could win viewers voluntarily.

Finally, it is relevant to explicitly recognize that the reasons for various government policies which have economic implications need not be economic in nature. Again, using the above example, the goal of Canadian television programming regulations is not an economic one. Indeed, purely economic considerations would say that if the U.S. can produce better, more popular programmes relatively cheaper than Canada, then Canada should let them do so. The goal in this case, however, is a social or cultural goal. It is a case where the government feels it is not in the public interest to accept the outcome of the private economic system. The result or implications of this decision, however, are very much economic since, as a consequence of the regulations, we influence the programmes Canadians "consume"; we influence how Canadian firms spend their advertising dollars; we influence the resources committed to producing televisions programmes in Canada; and so on.

3) Does Government Have To Do These Things?

This question is in part included in the above question on "why government does certain things". By separating it from the general

discussion of reasons, however, the teacher can have the class discussion focus more explicitly on the general value question of "how much government is desirable in the economy?" This question and the ensuing discussion might also provide a vehicle for discussing how well government does things. There is often a tendency to focus on what is done and why without any analysis of whether the policy or programme is successful. Not every teacher will have the time or the inclination to explore this question in every instance but it is important and should be considered at least on a selective basis.

Methodology

If the teacher is doing a unit on the role of government in the economy then each of the above questions would be posed within the time period that the class has to deal with the unit.

As a first stage students should gain some familiarity with government as an entity, if this has not previously been covered, and then with the range of activities government undertakes.

As a second stage detailed discussion of certain representative government policies/programmes should be undertaken, concentrating on the reasons for, and the necessity of, the government's actions in these examples.

As a third stage the teacher might then attempt to generalize the lessons learned from these examples to general goals of government in the economy, conflict between goals of government, general types of government activities, and so on. How far the teacher can take this third stage will depend in part on the level of the class and the students, in part on the time allocation for this unit in the curriculum, and in part on how successful the first and second stages have been. It is important to remember that not everything needs to be accomplished at one time. Students who only discuss individual examples of government activity in their junior high school period will, nonetheless, be better prepared and better able to discuss and appreciate the general lessons on the role of government when these are presented in their later school years.

For the teacher who does not set up a separate unit on the role of government in the economy but chooses instead to integrate the discussion of government with other topics and/or within other disciplines, the only changes in the proposed methodology would be that stage two, above, would come before the part of stage one concerned with

familiarizing students with the range of government activities. The other topics or disciplines would confine and determine the choice of examples in stage two; and stage three, if it is to be done, would require an overview unit at the end for this purpose.

Teaching aids and suggestions

The book itself might provide some reading material for students on this topic. In addition various other reading assignments from other texts might be considered.

Government itself, both federal government ministries and provincial government ministries, publish a great variety of documents describing various government programmes and activities. Most of these are available free of charge. In some cases also, these items have been packaged for use in schools. A listing of good government publications is available from the Canadian Foundation for Economic Education (252 Bloor Street West, Suite S 560, Toronto, Ontario. M5S 1V5).

The daily newspaper can be a very useful source of information on economic issues in general and especially issues dealing with government and its involvement in the economy. For a junior high school audience teachers may have to watch out for vocabulary, particularly the use of technical jargon, and the complexity of some news stories might be beyond the level of the students. Still, a variety of usable items can be gained from the newspaper. Government job ads can be used to pick up on government as an employer. Tender calls for government contracts which periodically appear illustrate both government as a purchaser of goods and services and the nature of certain government activities, as illustrated by the type of project involved in the tender call. Announcements of regulatory hearings by, say, the CRTC are to be found in the paper periodically. Of most substance, of course, are news stories where, daily, a host of information on government policies and activities is to be found.

For teachers living in communities where federal or provincial government offices are located a variety of opportunities would exist for having resource persons from such offices come to the school to meet with students. Municipal government personnel can, of course, also be used for this purpose although the range of topics on which they can speak may be more limited than when drawing on provincial ministries or federal ministries. As a general proposition it is very important that resource persons brought into the classroom, especially at a junior high level, be well briefed beforehand on the appropriate

level to aim for in their remarks, including information on the students' background on the subject under discussion.

Field trips to the site of major government projects, if these are available in your community, may also be very worthwhile. In a similar vein a tour of a government office or some other type of government installation, if available, could prove very interesting. Not every community has such field sites available, of course. But if a teacher is looking for some type of field exercise generally one can be found. Every community, for example, would provide the opportunity for a walking tour, the purpose of which might be to identify activities representative of government's role in the economy. Students might then look for such things as street signs, traffic lights, government buildings, mail boxes, hospitals, public transit vehicles, policemen, firemen, military personnel and vehicles, parking meters, road maintenance crews, fire hydrants, sewer outlets, street lights, playgrounds, schools, and so on.

A variety of student projects are possible with this topic, ranging from essays on various government activities to debates on the relative merits of certain policies to scrapbooks of newspaper clippings on certain topics and so on. Time and the relative priority of this topic versus others in the curriculum obviously place constraints on how much of this is done and what form it takes. But the possibilities are definitely there.

Finally, teachers may wish to make use of audio-visual aids and games which are available. Many of these, unfortunately, have not been designed for a junior nigh school audience but they may nonetheless be usable with such an audience in some cases. Information on audio-visual materials and games available in Canada is obtainable from the Canadian Foundation for Economic Education. One very excellent series of films, which are available on over-the-air educational television in many provinces, is the series *Trade-Offs*. This series is nominally intended for grades 4-7 but could quite easily and productively be used in grades 8 and 9 as well. It is not concerned with government per se, but some of the programmes in the series do take up questions relating to the need for government action in certain areas.

G The preceding discussion on the role of government in the economy is intended to provide teachers with a more specific example of what and how to teach one of the topics raised in the book. It is not a prescriptive example but is intended merely to serve as an illustration. The space available for these notes did not permit a comparable discussion of all the other topics/themes contained in the text. Hopefully, however, this one illustration will suggest some possibilities which teachers will be able to adapt or modify to the needs of other topics arising from the monograph.

Bibliography

I. Selected References Recommended for Additional Reading:

Economics

1. Muriel Armstrong, *The Canadian Economy* (Toronto: Prentice-Hall, 1977).

2. W. Easterbrook and H. Aitken, *Canadian Economic History* (Toronto: Macmillan, 1956).

3. W. MacIntosh, *The Economic Background of Dominion-Provincial Relations*, Carleton Library No. 13 (Toronto: McClelland and Stewart, 1964).

4. A MacMillan, *Microeconomics: The Canadian Context* (Toronto: Prentice-Hall, 1980).

5. A MacMillan, *Macroeconomics: The Canadian Context* (Toronto: Prentice-Hall, 1980).

6. G.C. Ruggeri, *The Canadian Economy: Problems and Policies* (Toronto: Gage, 1981).

7. W. Cheveldayoff, *The Business Page, How to Read It for Profit and Peace of Mind* (Ottawa: Deneau and Greenberg, 1977).

Teaching Economics

1. W.L. Hansen et al, *Master Curriculum Guide in Economics for the Nation's Schools: Part I – A Framework for Teaching Economics: Basic Concepts* (New York: Joint Council on Economic Education, 1977).

2. B. Lesser and J.B. Roald, *Teaching Economic Concepts in the Social Studies* (Toronto: Canadian Foundation for Economic Education, 1980).

3. Iain Munro, B. Lesser and F. Switzer, "Using Case Studies", *The History and Social Science Teacher*, 14:2, Winter 1979, pp. 93-98.

4. J.B. O'Neill, *Master Curriculum Guide in Economics for the Nation's Schools: Part III – Strategies for Teaching Economics: Secondary Level World Studies* (New York: Joint Council on Economic Education, 1980).

5. J.B. O'Neill, *Master Curriculum Guide in Economics for the Nation's Schools: Part II – Strategies for Teaching Economics: Secondary Level World Studies* (New York: Joint Council on Economic Education, 1980).

6. Edward Prehn, *Teaching High School Economics, The Analytical Approach* (New York: Pitman, 1979).

7. *Common Sense Economics* (a journal published at the Department of Economics, University of Waterloo, Waterloo, Ontario).

8. *Economics in Canadian Schools* (a journal of the Canadian Foundation for Economic Education, Toronto, Ontario).

Other Recommended Sources

A. Too numerous to list separately, the Canadian Foundation for Economic Education offers a wide range of excellent publications, many of them designed specifically for teachers' use. CFEE also has available annotated bibliographies of other source materials and regularly reviews new Canadian economics materials in its journal, *Economics in Canadian Schools*.

B. The Joint Council on Economic Education, a U.S. organization, has available a large number of publications for teachers of all grade levels. While the U.S. focus of many JCEE publications makes them inappropriate for Canadian classrooms, they can nonetheless be worthwhile for teachers, especially with regard to pedagogy. The Master Curriculum Guide materials listed above are very useful in this regard.

C. Quite obviously, there are, in addition to the above, numerous other books and publications on the Canadian economy. Rather than attempt to list any large number of these, the authors chose a small selection which they consider among the best of these materials to list in I.A. above. There is no negative implication necessarily intended about books or other materials

not singled out for inclusion in the above list. Individual teachers looking for materials to upgrade and/or refresh their own backgrounds in economics might find various other publications extremely useful. For teachers without extensive prior training in economics, however, care should be taken to avoid overly technical material, at least at the outset. This was one of the major criteria in selecting items to include for mention here.

Barry Lesser is Associate Professor of Economics at Dalhousie University. He obtained his Ph.D. from Cornell University in 1973. He has an ongoing involvement with economic education and has had input into numerous national and international projects.

Bruce Roald is a former public school teacher. He was awarded his Ed.D. from the University of British Columbia in 1970 and is presently Associate Professor of Education at Dalhousie University. He has long been involved with the training of social studies teachers as well as the work of the Canada Studies Foundation.

John N. Grant is a Research Associate at the Atlantic Institute of Education where he is director of the Centre for Canada Studies. He is a former history teacher at the high school level in Nova Scotia.

This book is a joint project of

The Canada Studies Foundation and

The Atlantic Institute of Education

A Lighthouse Book